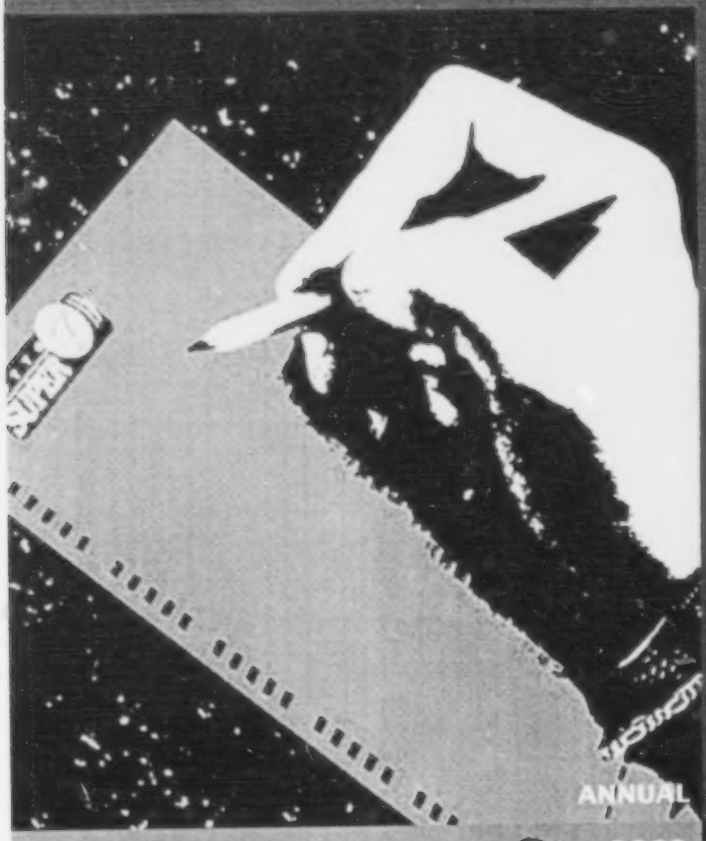
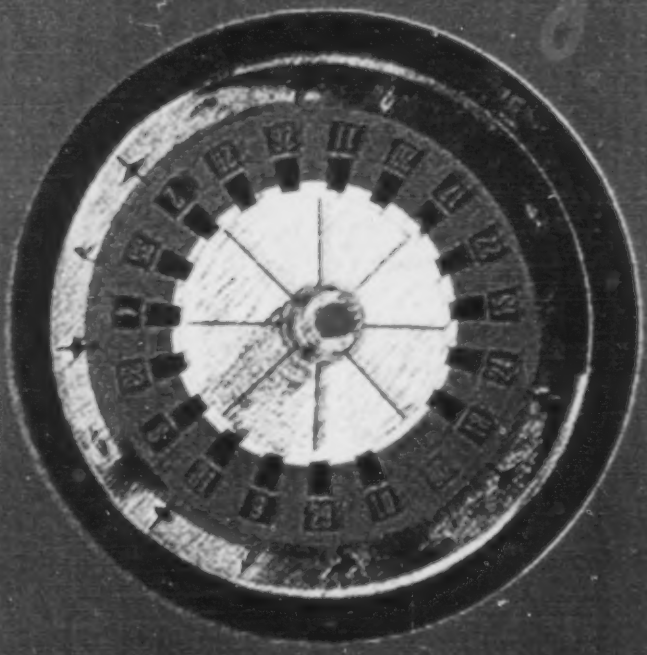
Ontario Lottery and Gaming Corporation

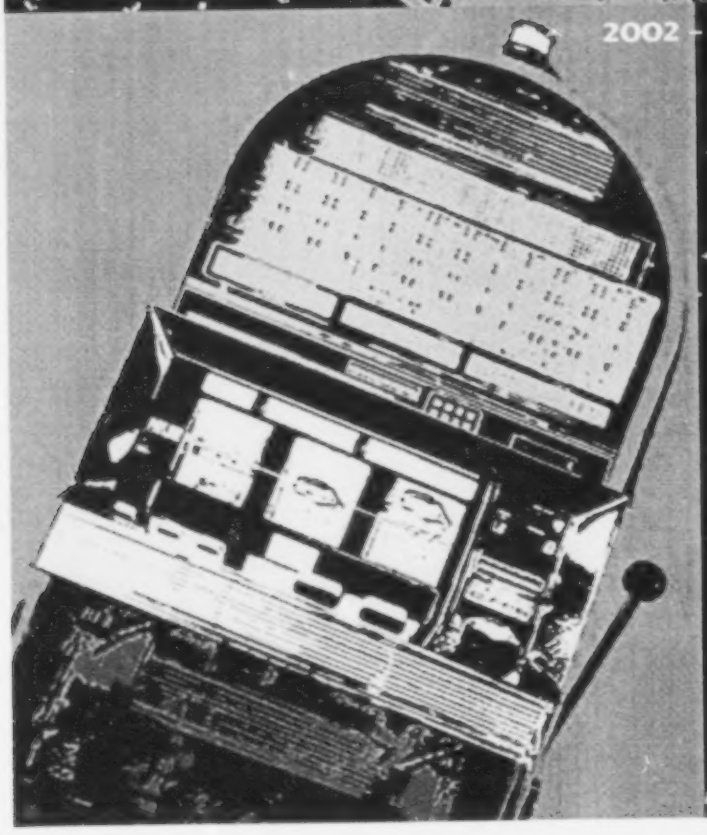
Société des loteries et des jeux de l'Ontario





ANNUAL REPORT

2002 - 2003



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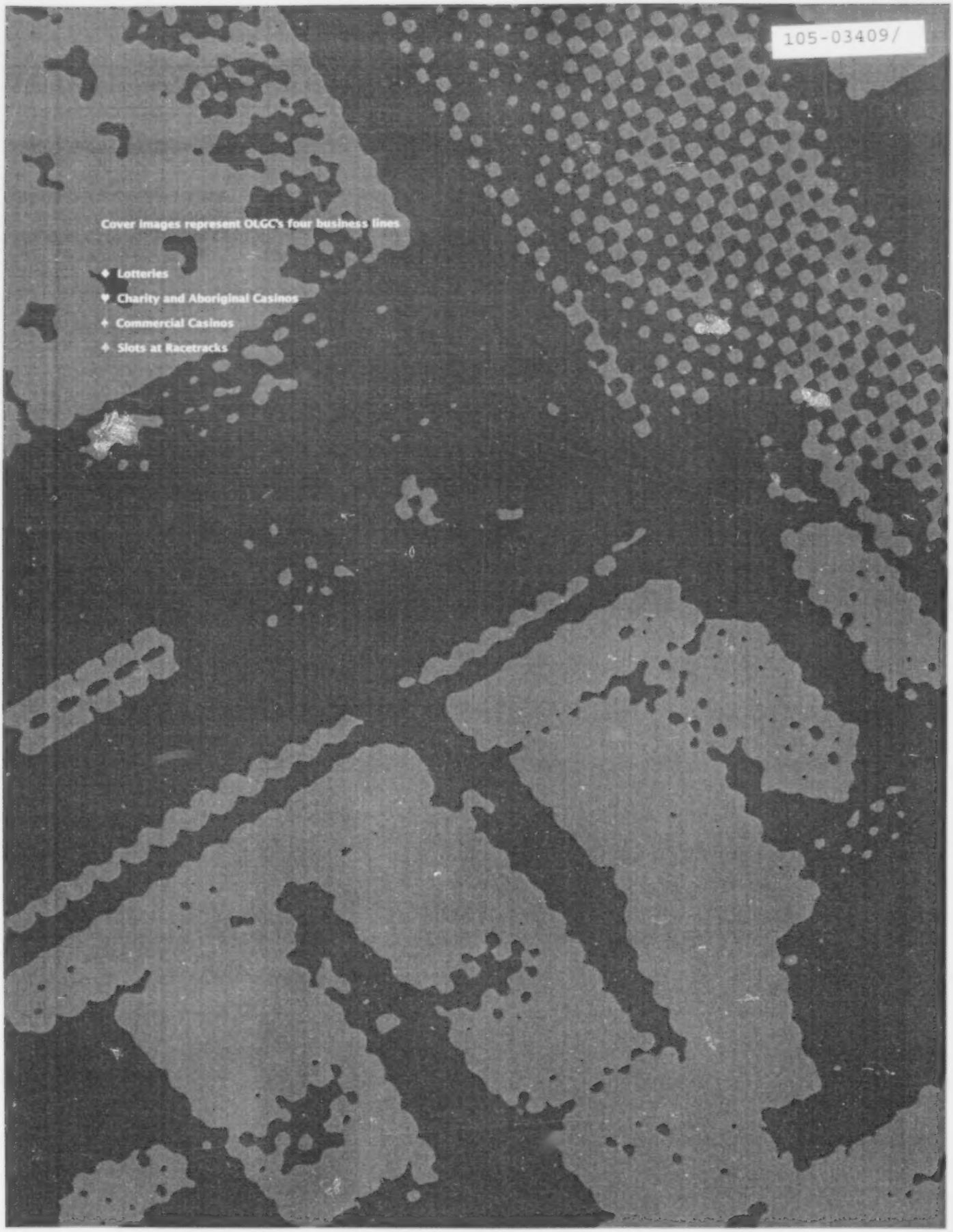
Cover images represent OLGC's four business lines
♦ Lotteries
♥ Charity and Aboriginal Casinos
♦ Commercial Casinos
♦ Slots at Racetracks

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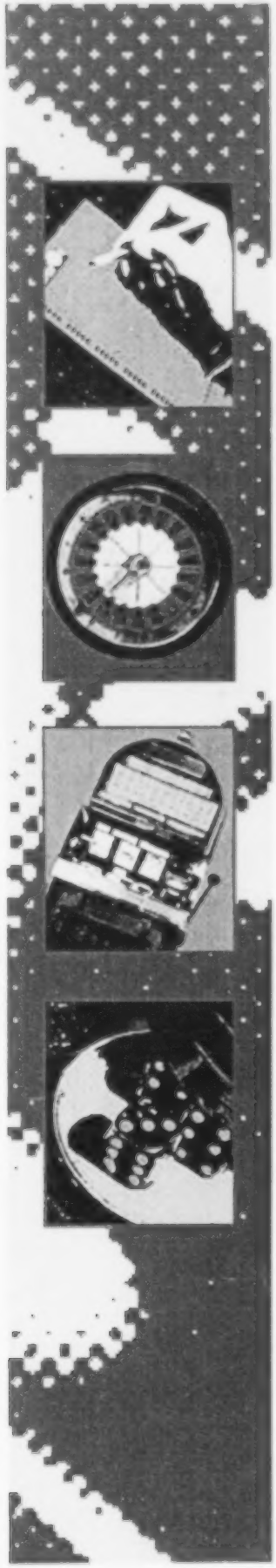


Letter of Transmittal

July 2003

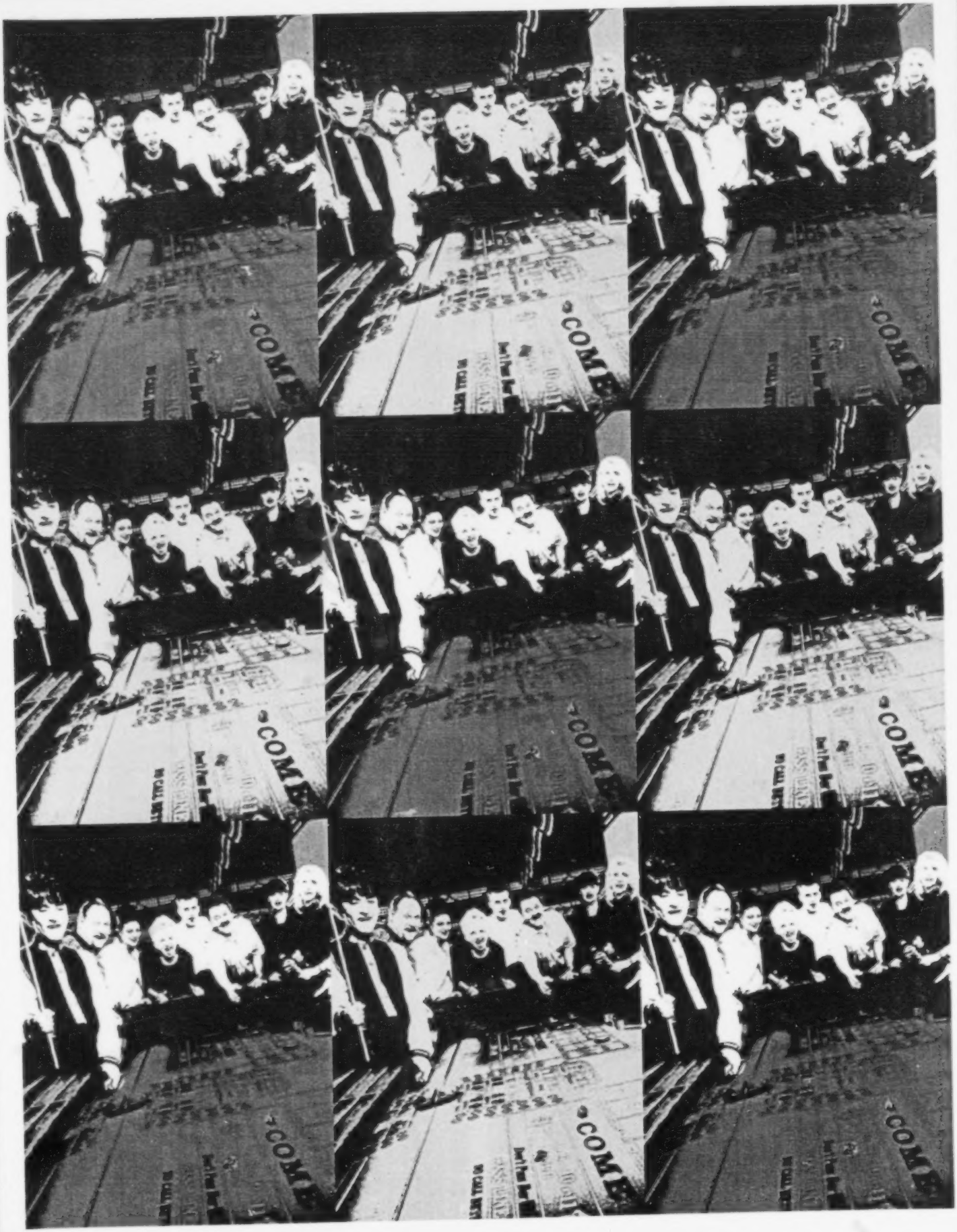
The Honourable Norman Sterling
Attorney General and
Minister Responsible for Native Affairs
11th floor, 720 Bay Street
Toronto, ON M5G 2K1

Dear Minister,

On behalf of the Board of Directors, I have the honour to submit to you the Annual Report of the Ontario Lottery and Gaming Corporation for the fiscal year ended March 31, 2003.

Respectfully submitted,

Ron D. Barbaro
Chair
Board of Directors
Ontario Lottery and Gaming Corporation



Ontario Lottery and Gaming Corporation
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Message from the Chair and CEO

I am pleased to report another successful year for the Ontario Lottery and Gaming Corporation (OLGC). Not only have all four lines of business – charity and aboriginal casinos, commercial casinos, lotteries and slots at racetracks – delivered strong results, OLGC has also taken significant steps in the realm of responsible gaming.

This corporation is committed to overseeing, assessing and improving on our programs in the area of responsible gaming. Every year, the province allocates two per cent of the gross slot-machine revenue from charity casinos and slots-at-racetrack facilities to fund its comprehensive Problem Gambling Strategy, which includes research, treatment, education and prevention programs. This fiscal year, the allocation was $29 million. As a corporate leader in the gaming industry, OLGC is committed to a proactive approach toward responsible gaming that will help set the standard for the gaming industry.

The Lottery Division continues to create widespread excitement. This year, despite the wonderfully successful 20th anniversary celebrations for LOTTO 6/49, it was the record LOTTO SUPER 7 jackpot of $37.8 million for the May 17, 2002 draw that stole the show! The largest jackpot ever led to another corporate milestone: sales of $45.7 million in one week alone. The Lottery Division continues to lead the pack, with sales of more than $2.2 billion this year. The division also began installation of redesigned lottery displays and signage at local retailers and completed the design and testing stage of its new lottery terminal technology, which will replace the more than 7,800 lottery terminals currently in service in Ontario.

From our Commercial Casino Division, I am particularly pleased to report that construction on the new Niagara casino is moving steadily toward its scheduled opening in spring 2004. Overlooking one of the world's natural wonders and integrating elements of the setting into its architecture, the spectacular new Niagara casino complex is guaranteed to become a magnet for visitors year-round.

In the meantime, the interim Casino Niagara continues to thrive despite an unusually harsh winter, a climate of economic uncertainty, an impending, then actual, military intervention in Iraq and the opening of the Seneca Niagara Casino across the river in New York State.

In September 2002, officials cut the ribbon at the new Casino Rama Hotel. The hotel, together with a state-of-the-art entertainment centre that opened the previous year, further consolidates the casino's position as the key economic engine of the Orillia area. In its resort setting near Lake Couchiching, Casino Rama is now a world-class, gaming-entertainment resort destination.

OLGC's slots-at-racetrack initiative, introduced by government in response to requests from the Ontario Horse Racing Industry Association, continues to be a highly popular and profitable line of business. Since our first venue at Windsor Raceway opened in December 1998, more than 52 million people have visited our slots-at-racetrack facilities. Each of the province's 15 facilities, without exception, has exceeded our predictions of

Ron D. Barbaro
Chair and CEO, OLGC

OLGC Board of Directors

from left:

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Ravi Shukla

Gerald Huck

Bruce H. Reid

Joanne DeLaurentiis

Gary Reinblatt

Richard A. Raymond

Cheryl Byrne

Hugh Nichol

Ron D. Barbaro

Peter J. Labbett

Louis Elio Pahontin

economic success. This year, we were able to address the under-capacity of our Slots at Western Fair Raceway facility in London, Ontario where we are undertaking a significant renovation to meet customer demand.

In June 2002, the opening charity gala at Thousand Islands Charity Casino sold out – raising more than $40,000 for local charities. Providing visitors to this traditional tourism region with one more leisure and entertainment option, the casino has 450 employees and delivers significant economic spin-offs that continue to fuel the region's local economy. The $47-million charity casino is located on a parcel of land straddling the township of Leeds and Thousand Islands and the town of Gananoque.

Together, charity casinos and slots at racetracks have created almost 7,000 permanent jobs in Ontario and a total annual payroll that exceeds $247 million. Host communities have received approximately $67.8 million in non-tax revenue as their share of gross slot revenue in this year alone.

The strength of our Corporation flows from the people who work at locations across the province. And this year, we renewed our commitment to investment in our prime asset – our people. The new OLGC Academy – an over-arching concept for development of in-house management training – represents the organization's commitment to leadership and gaming-specific education. It will continue to produce dividends for all of

OLGC Executive Team
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Paul Micocci, VP, Racetrack Development & Operations
Brian Wood, COO
Walter Fioravanti, VP, Human Resources
Alan Bardowski, Senior VP, Lottery Division
Bob Kozniuk, VP, Charity & Aboriginal Casinos
Ingrid Peters, VP, Legal & Compliance
Larry Flynn, Senior VP, Marketing & Customer Development
Earl (Tom) Dalton, CFO & Senior VP, Finance & Administration
Ron D. Barbaro, Chair & CEO
Michael Nieder, VP, Information Technology

our stakeholders as OLGC continues to fulfill its mission – providing gaming entertainment in an efficient and socially responsible manner.

I take this opportunity to thank our Board of Directors for its support and leadership throughout the year and our executives and staff, whose efforts enable OLGC to achieve its goals. In an evolving and increasingly competitive industry, it is our employees' creativity and dedication that make OLGC a success and lay the ground for our future.

Barbaro

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Chair and CEO
Ontario Lottery and Gaming Corporation

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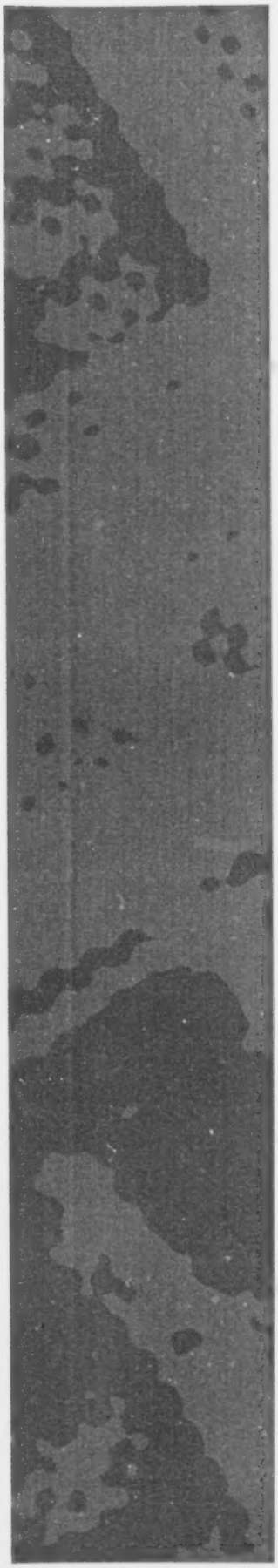


Overview

OLGC is now responsible for 24 gaming sites, as well as the sale of lottery products at approximately 11,000 retail locations. The Corporation directly employs more than 7,900 people across Ontario. OLGC is an operational enterprise created by the Government of Ontario to provide gaming entertainment in an efficient and socially responsible way that maximizes economic benefits for the people of Ontario. Host municipalities as well as many other groups benefit directly from gaming revenues.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from lotteries, charity casinos and slots at racetracks be made available for various purposes including the provision of health care and the promotion and development of physical fitness, sport, recreation and cultural activities throughout the province. These revenues also enable the Ontario Trillium Foundation to distribute $100 million to charitable and non-profit organizations every year.

Mission

In a competitive entertainment industry, OLGC is a quality provider of attractive, controlled gaming, engaging our employees and related organizations in serving Ontario's citizens and tourists in a socially responsible manner, and creating profits for charities and government projects, in accordance with government policy and direction.

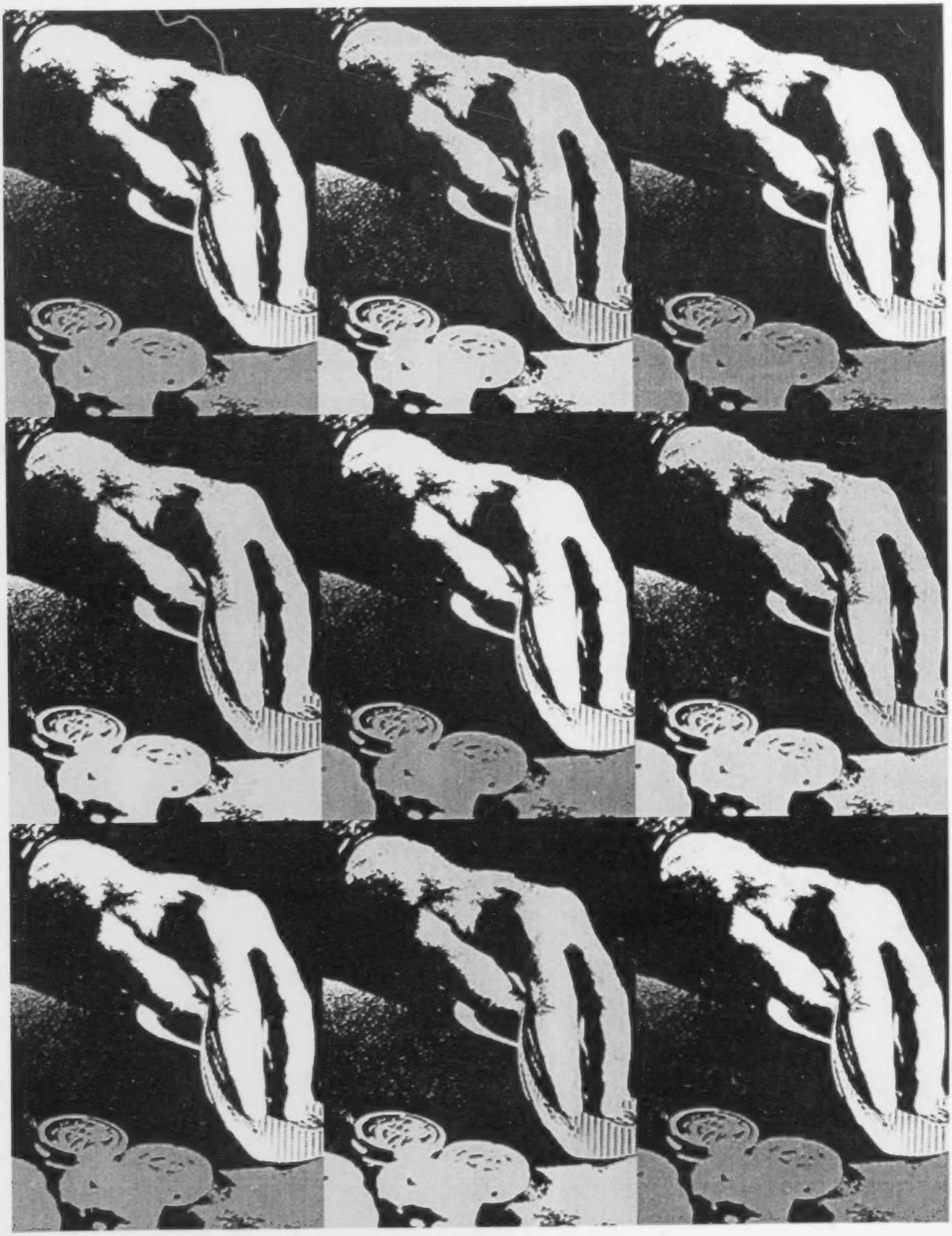
Governance

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation has a single shareholder, the Government of Ontario, and reports to the Minister responsible for OLGC through its Board of Directors. Board members, from a variety of backgrounds and communities across the Province of Ontario, are appointed by the Lieutenant Governor in Council, who may designate a chair and vice-chair of the board from among board members.

Board Mandate

The board sets policy for the Corporation and counsels the Chief Executive Officer and senior executives, who oversee the Corporation's business operations. Its mandate is to direct management with a view to optimizing the Corporation's overall performance and increasing shareholder value. Board responsibilities include:

- establishing a well-defined planning process, setting strategic direction and approving the long-term business plan



- defining and assessing business risks through appropriate risk-performance criteria
- appraising the performance of the Chief Executive Officer
- approving the annual business plan as well as operating and capital budgets
- overseeing a code of conduct to ensure that the highest standards are enforced in dealing with customers, suppliers and staff and that due regard is given to ethical values and the interests of the community-at-large in all corporate endeavours
- tracking overall performance of the Corporation
- remaining informed and providing input as required concerning communications with the Government of Ontario and other stakeholders
- reviewing the effectiveness of internal controls in managing risks
- ensuring compliance with key policies, laws and regulations

Board Committees

The Board of OLGC operates with and through three permanent working committees.

Governance Committee

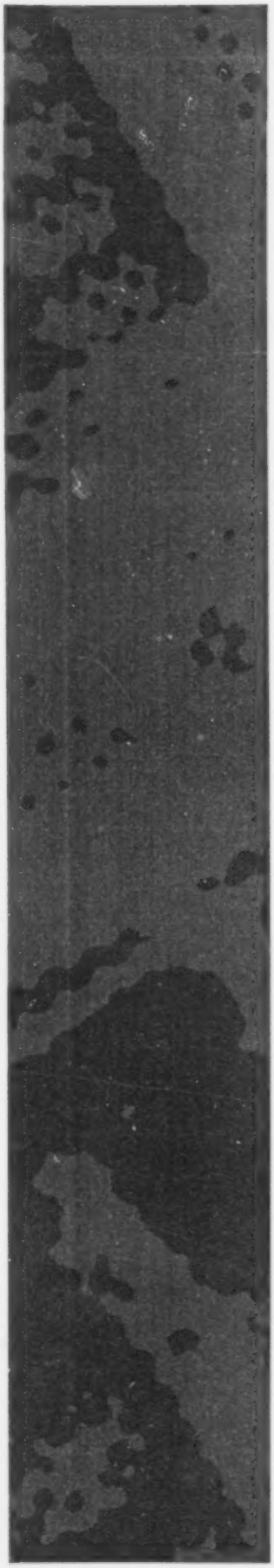
The Governance Committee assists the board in developing and monitoring governance policies and practices. This committee helps identify policy areas for review and presents recommendations to the board for consideration, enabling the board to ensure the Corporation's adherence to the highest standards in corporate governance.

Audit and Risk Management Committee

The primary function of the Audit and Risk Management Committee is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, internal financial controls, capital expenditure program and risk management program as well as legal and ethical compliance systems that have been established.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee assists in ensuring that the Corporation has sufficient organizational strength at the senior management level to achieve its short- and long-term goals. This committee also recommends, for board approval, the compensation and benefit plans for senior management.



Core Values

Values define an organization and OLGC has created a culture that rewards individuals who lead by example. In all sectors, the Corporation's staff are encouraged to realize a clearly identified set of core values.

- *Integrity:* to conduct our business in an ethical, fair and honest manner
- *Public Responsibility:* to deliver gaming entertainment to maximize economic benefits in a socially responsible manner
- *Positive Work Environment:* to foster a dynamic, flexible environment that enables all employees to develop and make a full contribution
- *Customer Service Excellence:* to focus on our customers, providing value, fun and entertainment, anticipating and responding to their needs
- *Initiative:* to innovate and champion disciplined, continuous improvement
- *Respect:* to treat each other, our customers and our stakeholders with respect and dignity, recognizing the contributions of each person
- *Openness:* to actively share ideas and information within the bounds of appropriate confidentiality
- *Judgment and Professionalism:* to ensure that decisions and actions are timely, informed and aligned with corporate objectives

New Strategies for Responsible Gaming

OLGC's new initiatives enhance our current responsible gaming awareness program. The intention is to reinforce the idea of responsible gaming for staff, patrons and the general public and to offer information to those who have crossed the line into problem gambling on where they can find help.

OLGC recognizes and is concerned that, for a small minority of patrons, a trip to the casino, a slots-at-racetrack facility or even buying lottery tickets, is more than just entertainment. Approximately four per cent of Ontario's adult population report a problem with gambling.

By taking a proactive approach, OLGC positions itself as a corporate citizen of the highest standards. Responsible gaming continues to be a top priority for OLGC.

With this enhancement of our responsible gaming awareness policies and practices, OLGC is actively working to:

- reduce the risk of problem gambling by encouraging healthy, balanced and recreational play
- direct those with a gambling problem to the help they need

Senior management continues to consult with leading Ontario experts in the field of responsible gaming to design a broad-based integrated corporate strategy that calls on OLGC employees and managers to play an active role. In this way OLGC staff will derive a clear sense of direction and the satisfaction of knowing they play an important role in preventing problem gambling and in denying access to minors.

OLGC's commitment is embedded in its mission statement: "to provide attractive, controlled gaming, engaging our employees and related organizations in serving Ontario's citizens and tourists in a socially responsible manner." The commitment is implemented through a proactive responsible gaming awareness program under which OLGC continues to display the Ontario Problem Gambling Helpline telephone number on all slot machines and integrates responsible gaming messaging in its product advertising and marketing materials for all four lines of business. At casinos and slots-at-racetrack facilities, this tag line is: "Go For Fun, Not For Broke. Play Responsibly." For the lottery: "It's Just A Game. Play Responsibly." The Helpline number accompanies slogans in each instance. This year, responsible gaming messages in both official languages were also installed on the static screens of all 59 automated-teller machines in our facilities. In the coming year, they will also be printed on the reverse side of withdrawal slips, so that patrons who realize they have a problem will have the Helpline number close at hand.

Each gaming site continues to offer a self-exclusion program, which allows players to voluntarily exclude themselves from all OLGC gaming sites for an indefinite period. In addition, OLGC has a zero tolerance policy to address the serious issue of child abandonment in vehicles or lobbies of gaming sites. Patrons who abandon their children will be excluded and regarded as trespassers for a maximum of five years.

Lotteries reinforce the responsible gaming practice with reminders that it is an offence to sell lottery products to people under the age of 18 posted in three locations within retail outlets – at retailer terminals, silent sellers and front-door entrances. Messages regarding age restrictions and responsible gaming are also printed on all lottery products, rules, regulations and communications materials. Direct communications with our retailers through terminal messaging, newsletters and Account Manager visits reinforce these messages.

For its part, the Ontario Government allocates two per cent of the annual gross revenue from slot machines at charity casinos and slot facilities at racetracks to the Ministry of Health and Long-Term Care for problem gambling prevention, research, education and treatment – more than any other North American jurisdiction. Based on this two-per-cent formula, the amount dedicated to this important social cause in fiscal 2002/2003 was $29 million.

Above: 8-by-20 foot electronic reade[illegible]forms passersby [illegible] Ca[illegible]

Casinos

Building business means increasing the visibility of our facilities, and two OLGC casinos have become much more visible in a variety of ways in this fiscal year.

Casino Sault Ste. Marie installed an 8-by-22-foot electronic reader board, the largest of its kind in the Sault area, located in front of the casino on Bay Street. Passersby are informed about current and upcoming events and promotions as the board incorporates text announcements with creative graphics. The board can even display live video of events inside.

Thousand Islands Charity Casino, although it is our newest gaming facility, is already attracting significant media attention. Impressed with the unique interior and exterior design of the building, producers of a series for Global Television approached OLGC last fall for permission to film at the facility. The Thousand Islands Charity Casino episode, which was one in a series that features casinos from around the world, was aired on Global Television in March 2003.

Ontario Lottery Tonight

Spurred on by calls and letters asking for the return of televised draws – and by expert advice that an entertainment format was key to getting our message across – OLGC has brought back its lottery draw show, the last

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Above: 8-by-20 foot electronic reader board informs passersby of events and promotions at Casino Sault Ste. Marie

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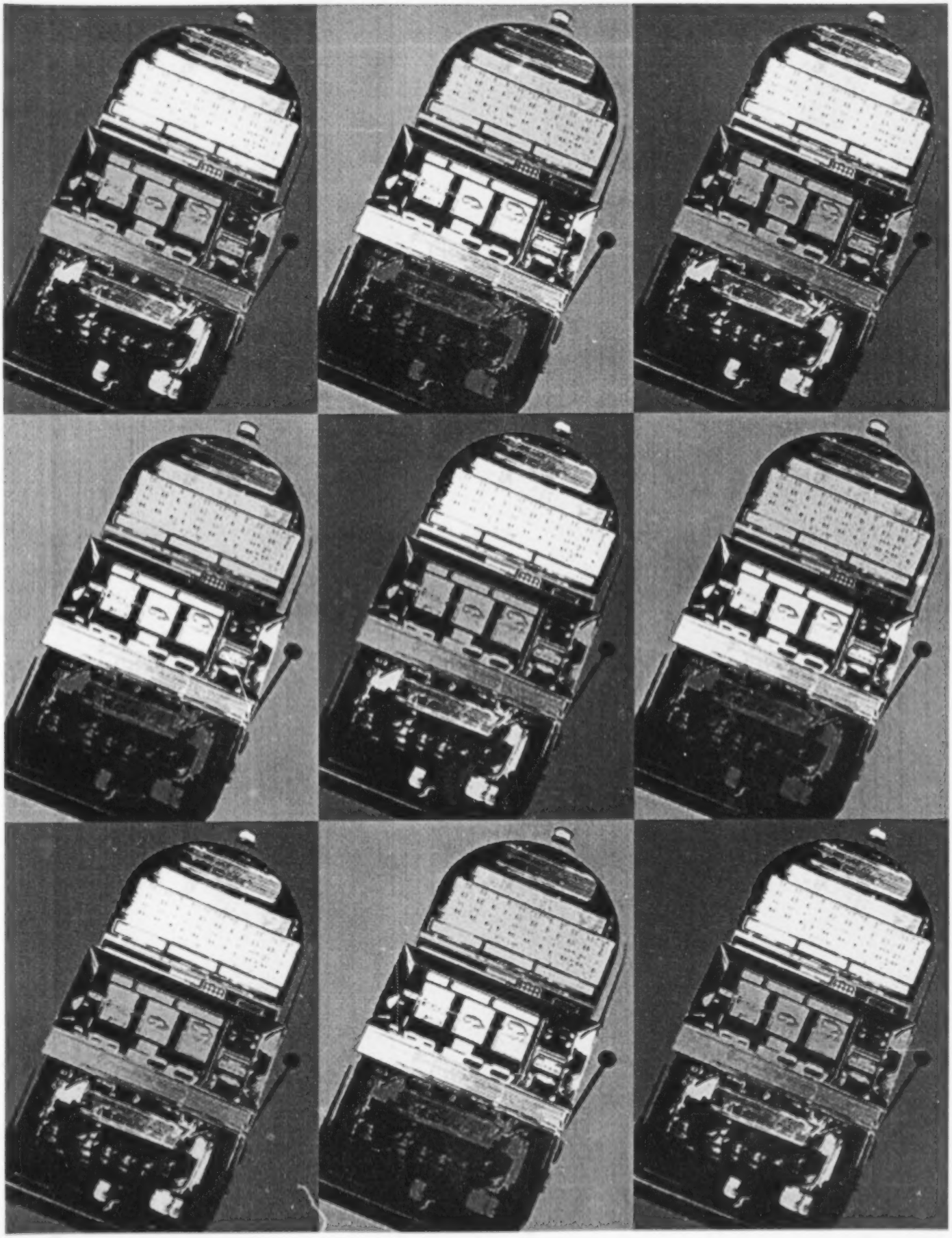

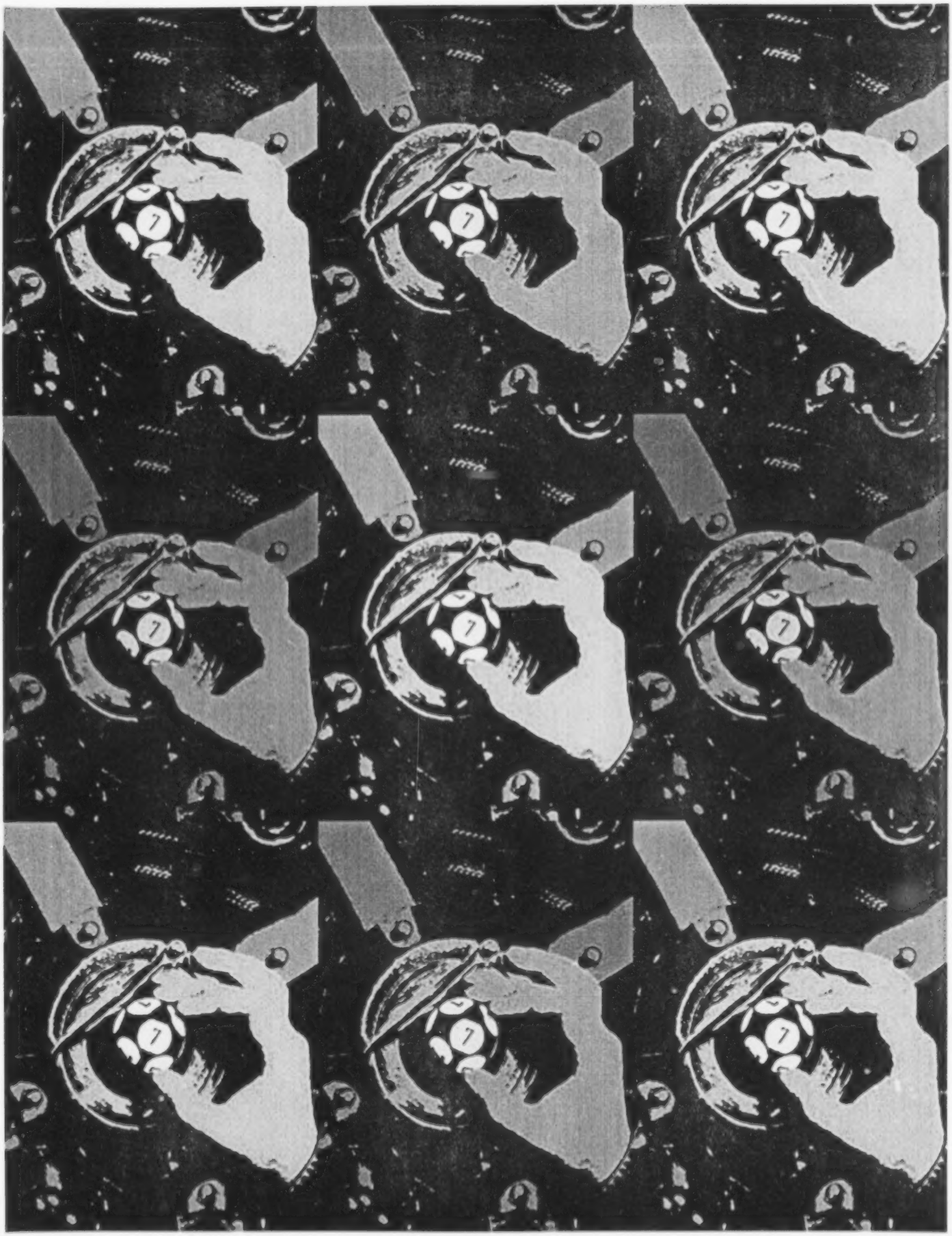

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New OLGC Lottery in-store playstand

Retail Redesign

Selected lottery retail outlets received a new look this fiscal year as new OLGC lottery merchandisers and signage were introduced. New playstands, silent sellers, window signs and jackpot signs are replacing the old. The purpose of the new design is to improve the retail presence of OLGC products, to provide consumers with a better shopping experience and up-to-date information and to deliver improved recognition of the OLGC brand.

Extensive research and planning went into the new look, including a design and prototype phase. The result is a uniform, fresh and dynamic look for the point-of-sale lottery. The look is a modern and energetic take on the OLGC's familiar corporate blue – building on the integrity and strength of the brand.

Playstands are modular so that they can be easily configured for different retailers. Their design allows for future incorporation of technology; computer screens can be added and stands can be linked with the new terminals to display lottery information. Like the previous playstands, these include areas to advertise jackpot amounts and lottery products as well as places for winning-numbers pamphlets, calendars and selections slips; but the new playstands also have a back-lit point-of-sale area and an enhanced How-to-Play information area. This last feature was added in response to consumer research indicating that customers want more information on playing the lottery games. The new playstands respond to this demand and also help retailers fulfill their responsibilities to inform customers about playing the games.

Silent sellers retain the same sizes and merchandise the same number of tickets but at a larger point-of-sale area. Jackpot and window signs (which include the Lotto Centre signs, over-the-counter suspended signage and counter-top signs) have all been updated.

The rollout of the new in-store design began in March 2002 and will take about three years to complete, reaching approximately 11,000 retailers.

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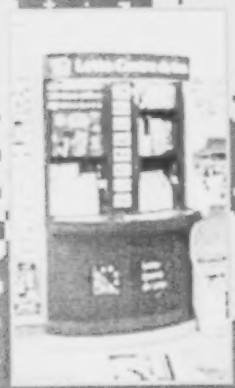


New OLGC Lottery In-store playstand

New Ex-M Terminal

Ex-M Lottery Terminals

Testing of OLGC's new online terminal technology has begun!

This fiscal year, planning and design finally culminated in preparations for the introduction of the Ex-M terminals – the latest technology – to lottery retail business. OLGC worked closely throughout the year with Scientific Games Inc. (SGI) – from development to delivery – to ensure the success of this major initiative.

SGI is a leading supplier of online and INSTANT lottery products, systems and services to 60 countries. SGI's vision and experience made it OLGC's choice. SGI has worked hand-in-hand with OLGC staff throughout – teaming up with Groupe Sagem in France for manufacturing and Sparton Corporation of London, Ontario for assembly and delivery. From order placement of the in-store test terminals last summer, through months of OLGC and vendor testing, OLGC and its partners have maintained great enthusiasm and excitement. These new terminals are expected to enrich the lottery playing and redemption experience.

The new Ex-M lottery terminals feature:

- full-colour touch-screen operation for retailers
- full-colour, full-motion video for customers
- thermal-paper printers
- document scanners for reading selection slips and online wagers
- online tickets branded upon validation
- multi-card reader capability
- CD/DVD players with CD-quality audio capability
- expanded memory and additional video output for new games and promotions
- high-speed network capability

The Ex-M terminal is aimed at improving consumer and retailer relations by enhancing the lottery-purchase experience. Retailer benefits of this user-friendly terminal include:

- new retailer touch-screen design allowing faster ticket creation
- simple paper loading into faster, quieter thermal printers
- simplified, quick training for retailer and support staff via online training-mode feature

- modular design allowing terminal components to be arranged in various ways to accommodate any store design
- reduction in terminal downtime

The gaming experience for consumers will be enriched by:

- consumer monitors that feature new audio and video winner notification and also display promotional media such as jackpot amounts
- a new, improved ticket design with a variety of easy-to-read fonts
- reduced consumer line-ups through faster ticket transactions

OLGC's internal testing phase was completed at year-end with a two-week clean run. Terminals will continue to be evaluated throughout the in-store test phase in the new fiscal year.

Activating a ticket pack

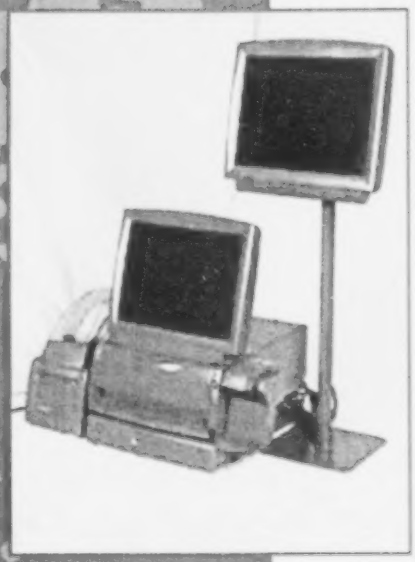
Second Lottery Distribution Centre

The Oakville Distribution Centre was established to enhance lottery retail service and as a contingency or back-up site in the event of any problem at the Mississauga location.

The facility opened on August 1, 2002 and has enhanced lottery retailer service. OLGC has been able to expand courier service to the Niagara Peninsula, Hamilton and Brantford. Like the Mississauga Distribution Centre, the Oakville site handles order picking and packing, INSTANT ticket returns as well as receiving and shipping of tickets and online supplies to retailers. Together, the two sites handle an average of 1,100 orders a day, monitor each other's progress and provide back-up as required. With two locations, there is greater flexibility and orders can be completed the same day, providing enhanced customer service.

Web Access

OLGC has made it faster and easier for the public to access information online. We've combined all Web addresses into a single URL, which was launched February 2003. Users can now simply go to www.OLGC.ca for everything they want to know about lotteries, sports games and BIG LINK BINGO or for charity casinos, slots at racetracks and commercial casinos.



New Ex-M Terminal

Ex-M Lottery Terminals

Testing of OLGC's new online terminal technology has begun!

This fiscal year, planning and design finally culminated in preparations for the introduction of the Ex-M terminals – the latest technology – to lottery retail business. OLGC worked closely throughout the year with Scientific Games Inc. (SGI) – from development to delivery – to ensure the success of this major initiative.

SGI is a leading supplier of online and INSTANT lottery products, systems and services to 67 countries. SGI's vision and experience made it OLGC's choice. SGI has worked hand-in-hand with OLGC staff throughout – teaming up with Groupe Sagem in France for manufacturing and Spartron Corporation of London, Ontario for assembly and delivery. From order placement of the in-store test terminals last summer, through months of OLGC and vendor testing, OLGC and its partners have maintained great enthusiasm and excitement. These new terminals are expected to enrich the lottery playing and redemption experience.

The new Ex-M lottery terminals feature:

- full-colour touch-screen operation for retailers
- full-colour, full-motion video for customers
- thermal-paper printers
- document scanners for reading selection slips and online wagers
- online tickets branded upon validation
- multi-card reader capability
- CD/DVD players with CD-quality audio capability
- expanded memory and additional video output for new games and promotions
- high-speed network capability

The Ex-M terminal is aimed at improving consumer and retailer relations by enhancing the lottery-purchase experience. Retailer benefits of this user-friendly terminal include:

- new retailer touch-screen design allowing faster ticket creation
- simple paper loading into faster, quieter thermal printers
- simplified, quick training for retailer and support staff via online training-mode feature

modular design allowing terminal components to be arranged in various ways to accommodate any store design

reduction in terminal downtime

The gaming experience for consumers will be enriched by:

consumer monitors that feature new audio and video winner notification and also display promotional media such as jackpot amounts

a new, improved ticket design with a variety of easy-to-read fonts

reduced consumer line-ups through faster ticket transactions

OLGC's internal testing phase was completed at year-end with a two-week clean run. Terminals will continue to be evaluated throughout the in-store test phase in the new fiscal year.

Activating a ticket pack

Second Lottery Distribution Centre

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Above: Winners Circle service at Slots at Mohawk Racetrack

Right: Big Six at the Brantford Charity Casino

Customer Service Champions

Customer Service Champions is a program at all 15 slots-at-racetrack sites. It operates on a peer-to-peer basis and encourages employees to go the extra mile in providing customer-service excellence. When an employee is spotted providing outstanding customer service, a coupon is submitted to management and that employee is recognized for one of six customer-service excellence goals:

- to show professionalism under pressure
- to know the products
- to play for the team
- to resolve complaints quickly
- to anticipate customer needs
- to allow your energy and enthusiasm to be contagious

When the employee achieves all six goals, he/she wins a prize. The program is fun and challenging for employees and helps ensure that patrons receive that extra bit of effort from employees, making the slots-at-racetrack experience pleasant and enjoyable for customer and employee alike.

Employees – Our Most Valuable Asset

All employees of OLGC have a vital role to play in providing leadership in the international gaming industry. The Corporation's board and executives understand that the success of this business is built on the efforts of individuals and the spirit of creativity and teamwork. Creating an environment in which individual professional achievements are rewarded and continuous professional development is provided for its staff is key.

This year, representatives of the Human Resources Department took significant steps to ensure that employees will have the training they need, when they need it, in a format that they can use. They conducted staff surveys and focus groups and interviewed vice presidents

Above: Winners Circle service at Slots at Mohawk Racetrack

Right: Big Six at the Brantford Charity Casino

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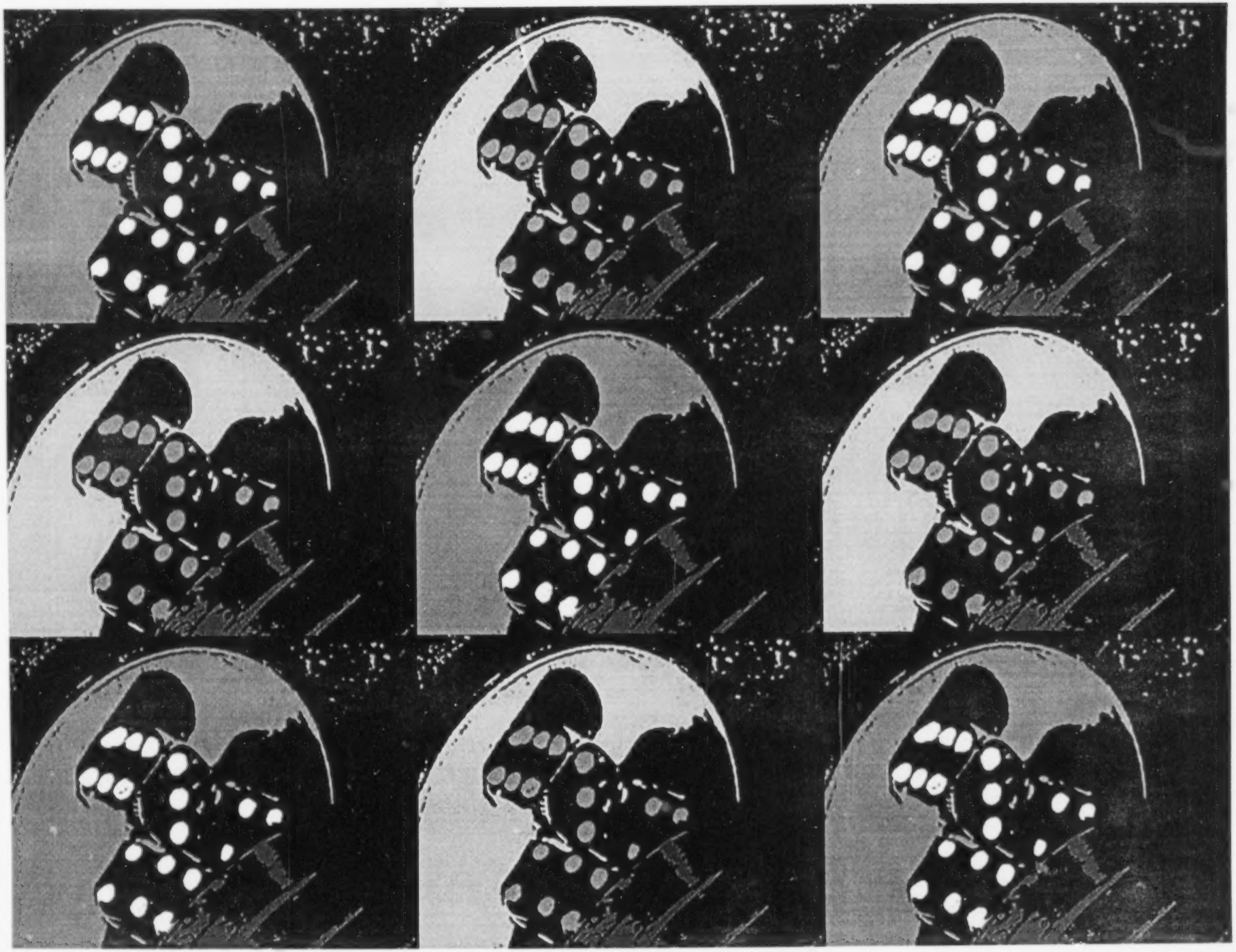

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in order to identify needs and develop key learning paths for each line of business – lotteries, commercial casinos, slots at racetracks and charity casinos.

Out of this research, the vision for a corporate university – the OLGC Academy – emerged. The Academy is intended to reinforce the culture and values that support OLGC's business mandate while capturing, managing and sharing corporate gaming and lottery knowledge across the entire organization.

It is recognized that, beyond the critical role the Academy can play in reinforcing culture and values and disseminating corporate knowledge, the OLGC Academy will also help to attract and retain the best talent, allowing OLGC to become an employer of choice.

The OLGC Academy will support the building of a sustainable lottery and gaming industry in Ontario, and learning requirements will continue to be addressed across the organization including:

- job-specific skills training
- general education and professional development

Programs are delivered primarily in a classroom setting, and two state-of-the-art classrooms are planned for late 2003. The introduction of self-paced workbooks, videotape training and e-learning initiatives is also being planned.

The OLGC Academy demonstrates a serious commitment to our employees and our corporate future. The Academy logo reflects this intention. The logo maintains the corporate colours, and here the eight balls (representing OLGC's corporate values) arch over a figure's head – from one hand to the other. The juggler represents OLGC employees who keep many balls in the air without losing sight of the fact that, while what they do has its challenges, it is also entertainment!

Top: Casino Rama's First Nations Affairs office

Above: OLGC Contact Centre in Sault Ste Marie

OLGC Academy

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Top: Casino Rama's First Nations Affairs office

Above: OLGC Contact Centre in Sault Ste Marie

OLGC Academy

Kudos at Home and Abroad

AND THE AWARD GOES TO . . .

OLGC congratulates all those who have been honoured for their creativity and hard work in 2002/2003. Our marketing teams take most of the glory this year, winning national and international recognition with campaigns for both lotteries and casinos.

- ★ *American Gaming Association's Award for Best Consumer Advertising Campaign for Casino Rama's TV Commercial, "Fans"*
- ★ *Gold CASSIE* Award in the "Off to a Good Start" category for PRO•LINE advertisements, "Bad Oysters" and "Front Row Fans"*
- ★ *CASSIE Certificate of Excellence for Best Launch in recognition of its CASH FOR LIFE advertisement, "Week after Week"*
- ★ *Gold Marketing Award for "Stairs," an ad featuring St. Mary's House, in the Corporate Image Television Campaign category*
- ★ *Bronze Clio** Award in the same category for the entire campaign*
- ★ *Silver Bessie Award for corporate television advertisement for "Child Find"*
- ★ *Short List, 2002 Cannes International Advertising Festival for the PRO•LINE television ad, "Front Row Fans" (part of the "If anything can happen, anyone can win" campaign)*
- ★ *American Gaming Association's Award for Best Annual Report: International in September 2002 for OLGC's 2001/2002 report*
- ★ *Toronto Sun Reader's Choice Award to Casino Rama as Ontario's Favorite Casino for the sixth consecutive year*
- ★ *Thunder Bay's 2002 Civic Beautification Award to Thunder Bay Charity Casino in the commercial/institutional category*
- ★ *Niagara Falls Tourism Misty Award to Casino Niagara's fine-dining restaurant Twenty One as Restaurant of the Year in the Resort/Fine Dining category*
- ★ *CAA/AAA Four-Diamond Rating and Wine Spectator magazine Award of Excellence for its extensive wine cellar to Casino Niagara's Twenty One restaurant*

*CASSIES are Canadian Advertising Success Story Industry Excellence Awards
** The Clio is a US-based international advertising award*

OLGC enjoys a vital and robust economic partnership with the people of Ontario. The gaming industry in Ontario is a multi-billion dollar responsibility. Three commercial casinos alone have produced more than $1.7 billion in gaming revenue and provided over 11,700 direct jobs at their host sites in Windsor, Niagara and Rama (near Orillia), with a combined annual payroll of almost $471 million. This fiscal year, over 40 million patrons visited Ontario's 24 gaming sites, resulting in more than $3.6 billion in gross gaming revenue and contributing to the diversification and growth of the province's tourism industry.

In-store celebration

OLGC works in partnership with the host communities of its charity and aboriginal casinos and its slots-at-racetrack facilities. Host municipalities of charity casinos receive five per cent of the gross slot revenue, while host municipalities of slots at racetracks receive five per cent of the gross slot revenue for the first 450 slot machines, plus two per cent from machines over that number. To date, OLGC has distributed more than $190 million to 20 host communities of charity casinos and slots at racetracks.

All OLGC gaming sites, including the three commercial casinos, attract hundreds of thousands of visitors to their host communities. Many of these people then visit other area attractions, restaurants and hotels, creating multiple economic benefits throughout the entire province.

This fiscal year presented both challenges and growth opportunities for all four lines of business at OLGC. Border gaming facilities felt the impact of heightened US border security and concern over the military intervention in Iraq, as many Americans stayed home. And, while OLGC's creative marketing and communication teams worked hard to maintain their core American clientele, we recognize that there are political and economic forces that are beyond OLGC's control. Our best responses permit us to limit the negative impact and emphasize efforts that build a solid foundation for future growth.

In 2002/2003, OLGC's Lottery Division remained strong, with more than $1.1 billion in prizes and $2.2 billion in sales. Our network of approximately 11,000 lottery retailers earned $155.3 million in commissions (seven per cent of total sales). OLGC's Lottery Division employs approximately 360 staff with an annual payroll including benefits of $21.8 million.

Both community and provincial economies have benefited from direct and indirect jobs that have been created from the gaming industry in Ontario.

Slots-at-racetrack facilities in Ontario have approximately 3,800 employees and an annual payroll of more than $143.5 million. Charity casinos account for more than 3,000 direct jobs and a total payroll of almost $104 million in five Ontario communities. Finally, Ontario's commercial casinos directly employed 11,777 people by the end of this fiscal year, enriching their local economies with hundreds of millions of dollars in salaries each year.

Lotteries

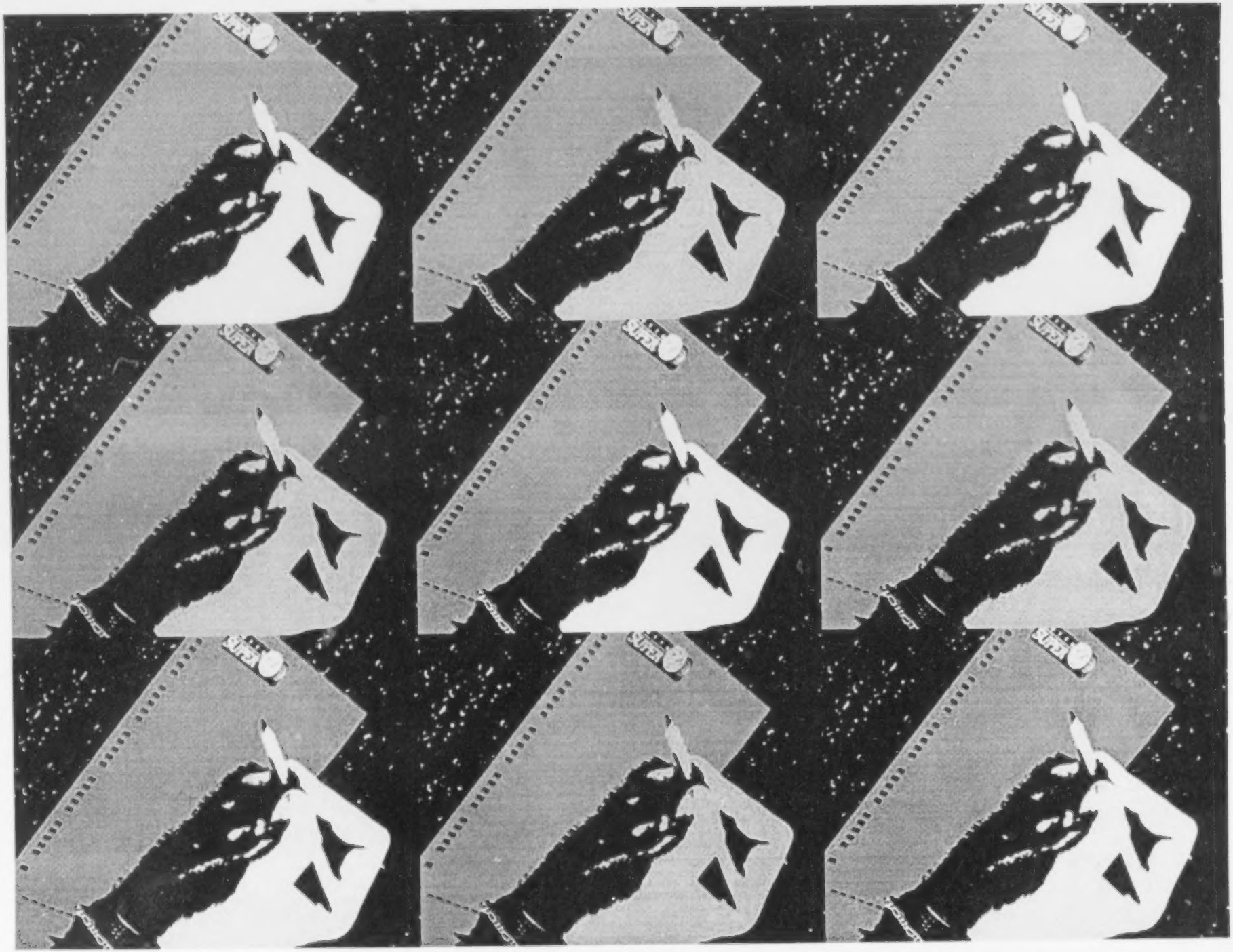
This fiscal year, OLGC awarded more than $1.1 billion in prizes as lottery players tried new games while remaining loyal to many old favourites.

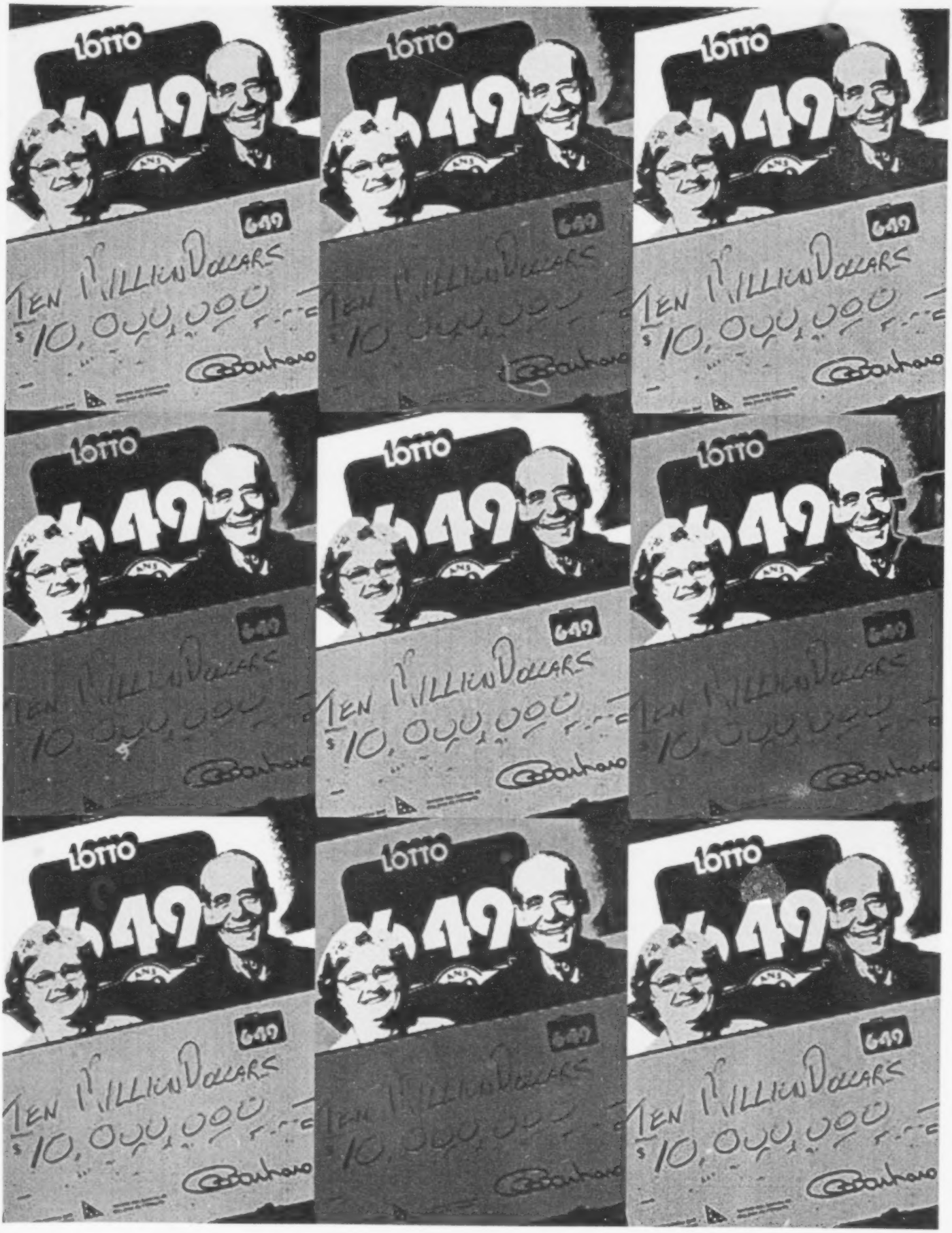
This year saw fabulous 20th anniversary celebrations for LOTTO 6/49. Year-long promotions reached an exciting climax when one lucky lottery player won $6.49 million in a live draw during the halftime show at the CFL's 90th Edition of the Grey Cup in Calgary. The 44 other contestants on the field still went home winners, sharing a secondary prize of $2 million or about $45,000 each.

LOTTO 6/49's 20th anniversary celebration winners at the Grey Cup, November 2002

The record LOTTO SUPER 7 jackpot of $37.8 million for the May 17, 2002 draw almost stole LOTTO 6/49's anniversary thunder! This, the largest jackpot ever, led to another corporate milestone: sales of $45.7 million in one week alone, 10 times more than the average for a $2.5 million jackpot. An online article at globetechnology.com news reported that over half of sympatico.ca search logs in May 2002 were related to the LOTTO SUPER 7 jackpot, more than searches for the Winter Olympics, the 2002 World Cup or World Youth Day. The timing of the draw in May couldn't have been better for LOTTO SUPER 7's new "Live Large" promotional campaign in June!

LOTTO SUPER 7, with its regular Friday night draw and minimum jackpot of $2.5 million, has become increasingly popular since its introduction in May 1994; with all the added excitement this year, LOTTO SUPER 7 generated




LOTTO
6/49
TEN MILLION DOLLARS
$10,000,000

INSTANT Games and Gift Products

as of March 31, 2003

13	$1	INSTANT Games
16	$2	INSTANT Games
10	$3	INSTANT BINGO
13	$3	INSTANT CROSSWORD
4	$3	INSTANT BATTLESHIP®
6	$3	INSTANT KENO
5	$4	CASH FOR LIFE
2	$5	ONTARIO INSTANT MILLIONS
New $3 INSTANT Games		
1		THE PRICE IS RIGHT™
1		TWISTER™
1		LUCKY LINES
New $5 INSTANT Games		
1		INSTANT LOTTO 6/49
1		TREASURE HUNT
Gift Products		
1		$10 HOLIDAY GIFT PACK
1		$10 LOTTO 6/49 HOLIDAY GIFT PACK
76		Total

over $483.6 million in sales with $237 million in prizes available.

Lottery-game improvements and new games have kept revenues strong overall. Just in time for the start of the professional baseball season and the hockey playoffs in spring 2002, OLGC Sports Games gave players more ways to win. For example, PRO•LINE introduced a new Tie Rule, and the inclusion of overtime was back for the hockey playoffs. These changes meant more winning outcomes, more winning tickets and increased pay-out levels and sales. Another welcome improvement to the Sports Games was the expansion of the POINT SPREAD selection slip capabilities to allow games to be offered anywhere on the full 99 game list. INSTANT tickets received a boost when OLGC began testing a new INSTANT ticket display unit at Shoppers Drug Mart locations in Ontario last spring.

BINGO Gaming

Bingo sported a new look this fiscal year, living up to its positioning as "A fun new game ... a big new name." BIG LINK BINGO is the category name for OLGC's linked bingo games, initially launched by OLGC as SUPERSTAR BINGO in 1997. The BIG LINK BINGO family of games is now offered throughout the day, continuing to meet the desires of today's bingo players.

BIG LINK BINGO is a unique co-operative effort among OLGC; the Ontario Charitable Gaming Association (OCGA), which distributes the charitable proceeds; and the Registered Gaming Suppliers of Ontario (RGSO). BIG LINK BINGO links all participating bingo halls in Ontario to OLGC's central computer system.

theLink

ULTIMATELink

LATELink

BIG LINK BINGO was launched September 2002

Lottery Sales and Prizes by Game as of March 31, 2003

Product Groupings	Number of Games	Sales ($millions)	% of Total Sales	Prizes ($millions)
Online games	14	1,422.6	64.4	698.3
Sports games	3	192.4	8.7	115.6
INSTANT games	76	571.9	25.9	308.4
BINGO gaming	3	21.8	1.0	12.4
Totals	96	2,208.8	100.0	1,134.7

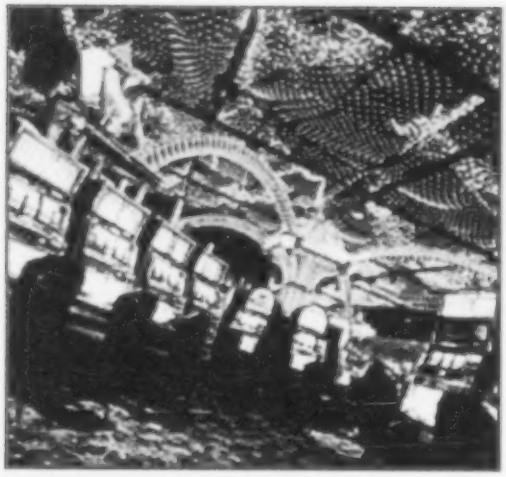
This gives players what they want: bigger provincial jackpots, more play value and better in-hall prizes. Three games are offered throughout the day – THE LINK in the afternoon, ULTIMATE LINK in the evening and LATE LINK for night owls – offering big jackpots and excitement in those particular play sessions. Players now also receive the option of volume pricing, a first for online bingo games, where they can purchase multiple bingo strips at a volume price.

	ULTIMATE LINK	LATE LINK & THE LINK
Prizes	55.0 %	63.0 %
Hall Charity Associations	18.5 %	13.2 %
Bingo Halls	9.9 %	8.8 %
Operating Costs & Province	15.6 %	14.0 %
Registered Gaming Suppliers	.5 %	.5 %
Ontario Charitable Gaming Association	.5 %	.5 %

BIG LINK BINGO proceeds continue to help the over 5,000 community charities and non-profit organizations throughout Ontario through a direct funding arrangement. To date over $62 million has been distributed to community charities and non-profit organizations as a result of the collaborative effort. Revenue from BIG LINK BINGO is allocated on a percentage basis to prizes, hall charity associations, bingo hall operators and OLGC.

The OLGC portion covers operating costs and payments to the province. Revenue allocations vary slightly for the different games.

Charity and Aboriginal Casinos

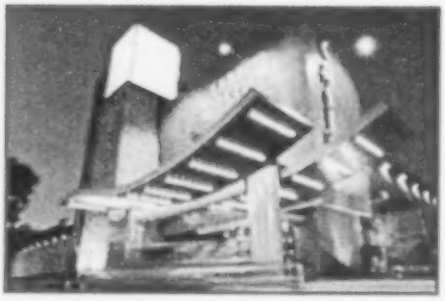


Newly renovated Brantford Charity Casino

Charity and aboriginal casinos play an important role in the creation of jobs and the development of local tourism for the communities that host them.

While all casinos generate significant economic benefits, charity casinos operate under a specific set of guidelines. Ontario's five charity casinos are smaller and gaming activities are significantly more restricted than in commercial casinos. For example, in a charity facility, the total number of gaming positions – where a person is permitted to participate in a game – is limited to 870 and the betting limit for table games is $100, compared to $10,000 at commercial casinos.

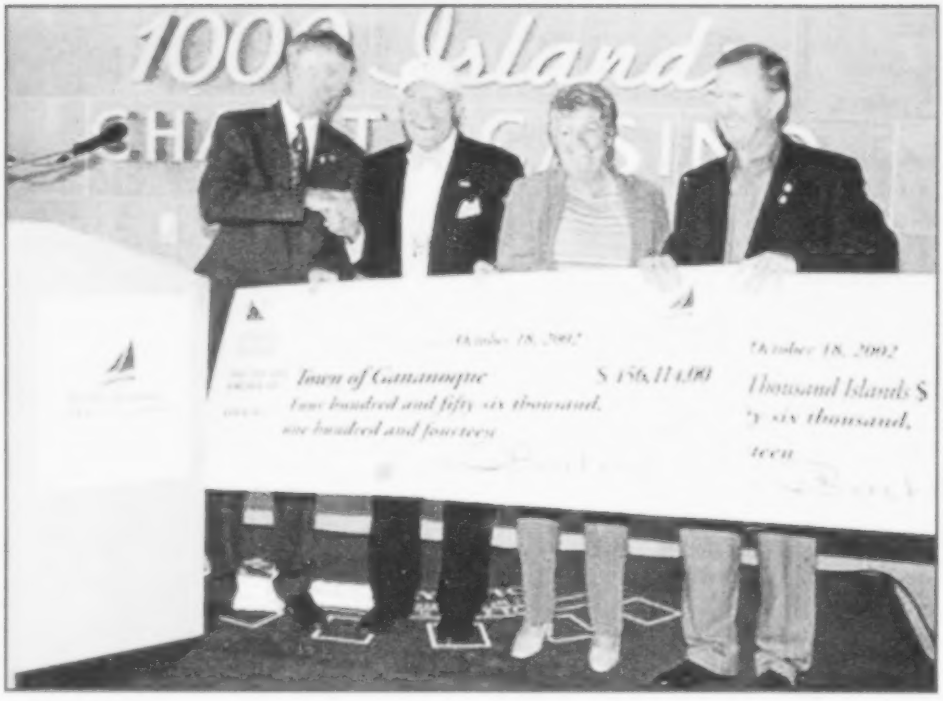
Great Blue Heron Charity Casino is an aboriginal casino. It operates under the authority of a charitable gaming agreement between the Province and the Baagwating Community Association. The casino is located on the territory of the Mississaugas of Scugog Island First Nation. OLGC owns and maintains authority of the slots facility located in the casino. The Great Blue Heron Gaming Company – a joint venture of Casinos Austria, Fantasy Gaming and Sonco Gaming – carries out the day-to-day operation of the casino. As host community of the slots facility, the Mississaugas receive five per cent of gross revenues from the slot machines. The Ontario government receives 20 per cent of gross gaming revenues and 100 per cent of net profits from the slots facility.



Thunder Bay Charity Casino

This year saw the opening of a new charity casino in eastern Ontario, renovations and upgrades to meet popular demand at one of our older facilities and the introduction of poker at two others. There are now over 3,000 employees at OLGC's five charity casinos.

Together, in this fiscal year, the five charity casinos and one aboriginal casino have generated $435.6 million in gross gaming revenues. From this revenue, over $14 million was paid directly to the host communities of



Right: Two cheques for $456,114 each were presented to Thousand Islands' Reeve Harold Grier (left) and Mayor Sylvia Fletcher Thomas of Gananoque (second from right) by OLGC Chair Ron D. Barbaro (second from left) and the Honourable Robert Runciman, MPP, Leeds Grenville (right) at the Thousand Islands Charity Casino in October 2002.

the five charity casinos and $4.7 million was paid to the Mississaugas of Scugog Island First Nation. Countless more dollars have been generated in spin-off jobs related to the presence of a major tourist attraction in the area.

The impact on jobs and revenue in host communities was seen most dramatically this year in the case of the brand new Thousand Islands Charity Casino. Since opening in June of 2002, the casino has hired 450 employees for a payroll of over $12 million and has already received more than 809,000 patrons at fiscal year end. The casino is open 24 hours a day on weekends and since August 2002, in response to strong attendance, it is now open weekdays from 9 a.m. to 4 a.m. (rather than the original 11 a.m. opening). OLGC invested approximately $47 million for land acquisition, design, construction, furnishings, fixtures and gaming equipment.

On October 18, 2002 OLGC Chair & CEO Ron D. Barbaro and the Honourable Robert Runciman, MPP, Leeds-Grenville, presented Reeve Harold Grier and Mayor Sylvia Fletcher-Thomas with cheques for $456,114 each in non-tax revenue representing the host communities' first shares of revenue generated by Thousand Islands Charity Casino. Over the course of the casino's first 10 months of operation, the municipal share of revenues amounted to more than $2.2 million.

25¢
25¢
25¢
25¢
25¢
25¢
25¢
25¢
25¢

Charity and Aboriginal Casinos as of March 31, 2003

Facilities	Opening Date	Patrons	OLGC Employees	Payroll	Slots	Gaming Tables
Casino Sault Ste. Marie	May 19, 1999	1,140,300	414	$ 14,383,500	451	18
Brantford Charity Casino	Nov 17, 1999	1,688,500	1,038	$ 36,760,647	452	58
Point Edward Charity Casino	Apr 18, 2000	1,056,600	686	$ 24,586,091	452	37
Great Blue Heron	May 3, 2000	*	**	***	452	***
Charity Casino (Slots Facility)						
Thunder Bay Charity Casino	Aug 28, 2000	1,085,800	490	$ 15,908,720	452	17
Thousand Islands Charity Casino	June 20, 2002	809,500	453	$ 12,052,956	453	18
Total		5,780,700	3,081	$ 103,691,914	2,712	148

*Not available.
** The 208 people who work at this slot facility are employees of the Great Blue Heron Gaming Company.
*** While Great Blue Heron Charity Casino offers table games, OLGC is responsible solely for the management of the slot facility.

During the year, poker was added to the roster of table games at Point Edward and Thunder Bay, and both charity casinos enjoyed increased numbers of patrons this year.

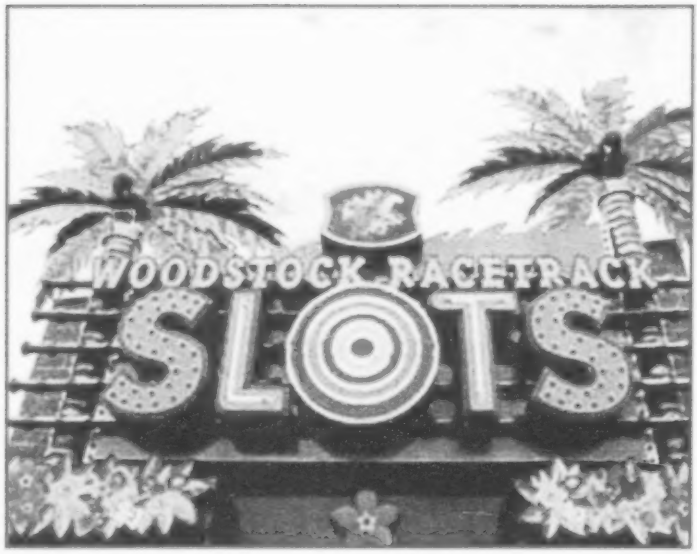
In Brantford, players celebrated the opening of new and improved facilities at the Brantford Charity Casino with a special reception on July 17, 2002. The renovation has allowed for 11 additional gaming tables, off-track betting and a separate smoking lounge that accommodates 205 smokers and keeps the gaming floor, restaurant and other public spaces smoke-free in compliance with municipal bylaws. The casino, which has attracted more than 5.8 million patrons since opening in November 1999, needed more space for administrative and service requirements as well as to accommodate player demand. OLGC worked with architects in designing the 15,300-square-foot addition, which increased administration and service space by 45 per cent and now permits all administrative staff to work on-site. It also provides additional storage space and a more spacious gaming floor. The addition responded to customer demand at this popular destination. It also made it easier for the casino to respond to a sudden significant drop in attendance this year when a municipal no-smoking bylaw was enacted. The facility introduced a separate smoking lounge that can accommodate up to 205 patrons, and new policies now permit players to put a hold on machines while they take a break in the smoking lounge.

Brantford Charity Casino

The Brantford Charity Casino renovation created 170 construction jobs and, upon opening, resulted in 40 new permanent jobs.

Slots at Hanover Raceway

Slots at Racetracks



OLGC's 15 slots-at-racetrack facilities have proven a tremendous success in creating jobs and economic spin-offs for their communities and the horse industry, generating almost $1.5 billion in gross gaming revenue for the year and attracting more than 17 million patrons in fiscal 2003.

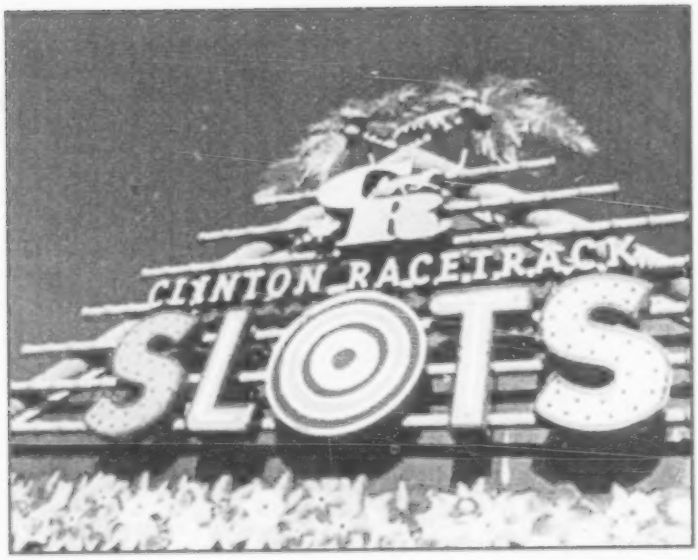
As of this fiscal year end, the slots-at-racetrack initiative accounts for more than 3,700 direct jobs in Ontario, adding an annual payroll of over $143.5 million to the provincial economy. Moreover, the injection of more than $53.6 million in non-tax revenue into host communities means even greater benefits for local economies, providing cash for a variety of community-based projects and for local infrastructure development.

Slots at Windsor Raceway

In addition, the Ontario horse-racing industry, which employs 45,000 people, has enjoyed a renaissance since the introduction of the slots-at-racetrack program. The Ontario Horse Racing Industry Association estimates that more than 7,000 new jobs have been created in the agricultural sector as a result of this province-wide initiative. Since the launch of the program in 1998, approximately $879 million has been distributed to track owners and their horse people, who share equally 20 per cent of gross slot revenue – creating a virtual windfall for the third largest agricultural industry in Ontario. In this year alone, horse people and track owners have shared in payments from slots facilities totalling more than $298 million.

Slots at Rideau Carleton Raceway

The revitalized horse-racing industry is improving racing and breeding superior horses. It has also stimulated local economies both through the purchase of millions of dollars in local goods and services, and by attracting growing



numbers of tourists.

This year, OLGC (in conjunction with the Western Fair Association) is undertaking an ambitious renovation of the slot facilities at Western Fair Raceway. During construction, the existing facility remains open. The new addition responds to customer demand at the current site which, since opening in September 1999, has consistently experienced maximum-capacity crowds and where, on weekend nights, one- and two-hour line-ups have been the norm.

Slots at Mohawk Racetrack

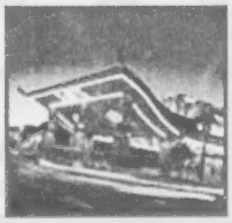
The Association is covering the cost of construction for the 20,784-square-foot addition, while OLGC has allocated approximately $22 million for furniture, fixtures and equipment. The Corporation will operate an additional 450 slots at the revamped facility as well as an on-site food and beverage service. The addition (to be completed in fall 2003) and new restaurant (scheduled for early 2004) have created 85 construction jobs and will create 215 new permanent jobs when the renovation is complete.

OLGC has also been working with the Woolwich Agricultural Society and the Township of Centre Wellington to establish a racetrack and slot-machine facility at the new Grand River Raceway in Elora. Agreements for the development of a new raceway and slot facility in Elora were finalized in 2002. Grand River Raceway will be Ontario's 16th racetrack to participate in the slots initiative.

Slots at Dresden Raceway

Slots at Woodbine Racetrack

The Township of Centre Wellington, as host municipality of a slots-at-racetrack facility, is entitled to receive five per cent of gross revenue on the facility's 200 machines. Slots at Grand River Raceway will also have 200 machines in compliance with the township's zoning bylaw. The township estimates that total infrastructure costs associated with the



Slots at Flamboro Downs

Slots at Racetracks as of March 31, 2003

Facilities	Opening Date	Patrons	OLGC Employees	Payroll	Slots
Windsor Raceway	December 16, 1998	868,000	276	$10,285,315	747
Hiawatha Horse Park	May 8, 1999	684,200	194	$7,713,115	449
Mohawk Racetrack	August 10, 1999	1,363,500	334	$13,383,195	750
Fort Erie Race Track	September 9, 1999	1,792,000	438	$15,162,059	1,204
Western Fair Raceway	September 28, 1999	1,016,700	190	$8,806,365	307
Kawartha Downs	November 22, 1999	856,900	194	$7,280,929	380
Sudbury Downs	November 26, 1999	606,700	162	$6,127,342	329
Rideau Carleton Raceway	February 16, 2000	1,771,700	363	$13,810,975	1,250
Woodbine Racetrack	March 27, 2000	4,661,800	813	$30,034,504	1,699
Clinton Raceway	August 24, 2000	199,800	62	$2,465,201	100
Flamboro Downs	October 11, 2000	1,595,700	358	$13,212,747	752
Hanover Raceway	February 19, 2001	312,900	75	$2,947,445	100
Dresden Raceway	April 18, 2001	206,000	67	$2,471,265	100
Woodstock Raceway	June 20, 2001	303,700	80	$2,983,021	100
Georgian Downs	November 27, 2001	1,005,100	188	$6,867,761	401
Totals		17,244,700	3,794	$143,551,239	8,668

Slots at Georgian Downs

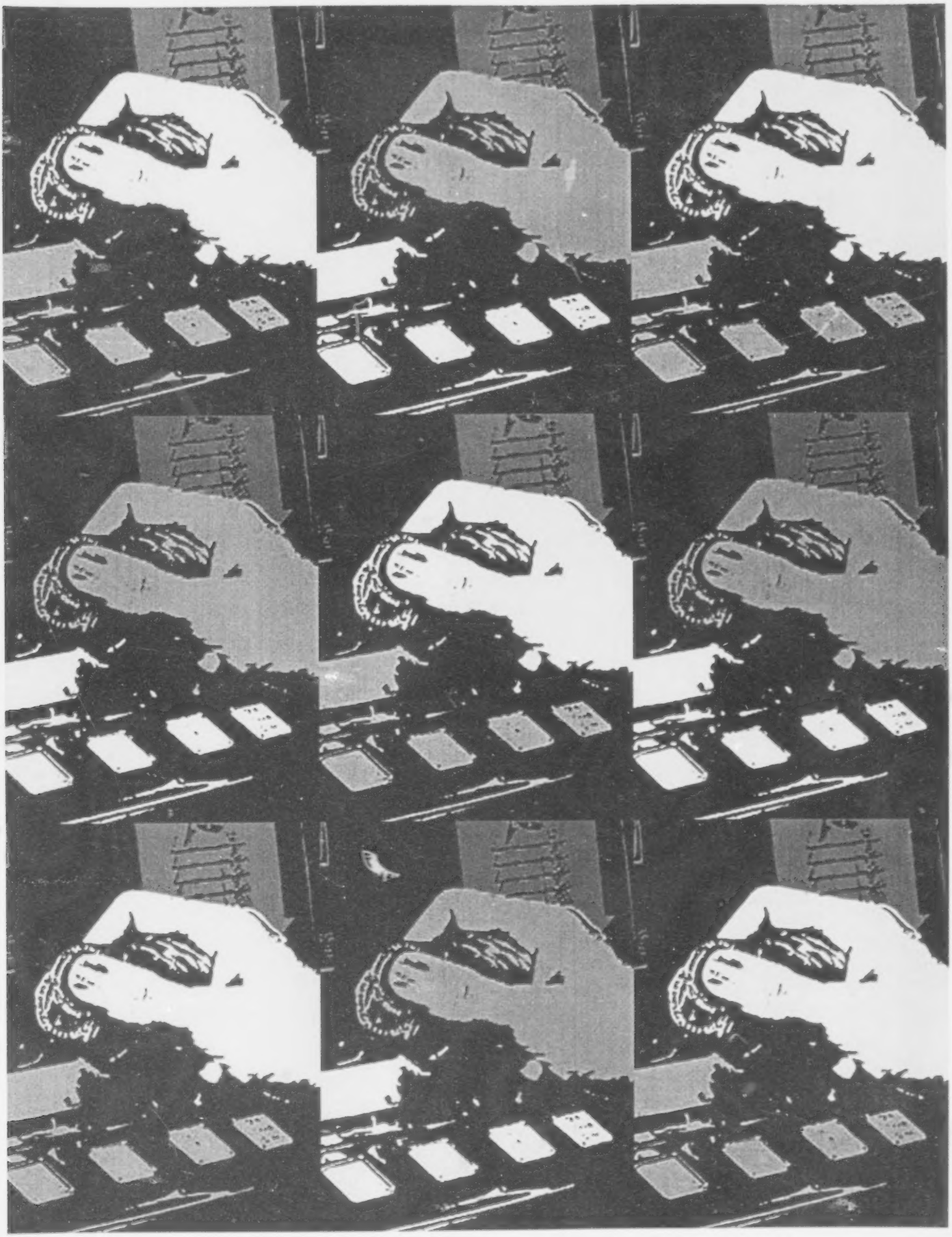
construction of this facility will be $1.6 million.

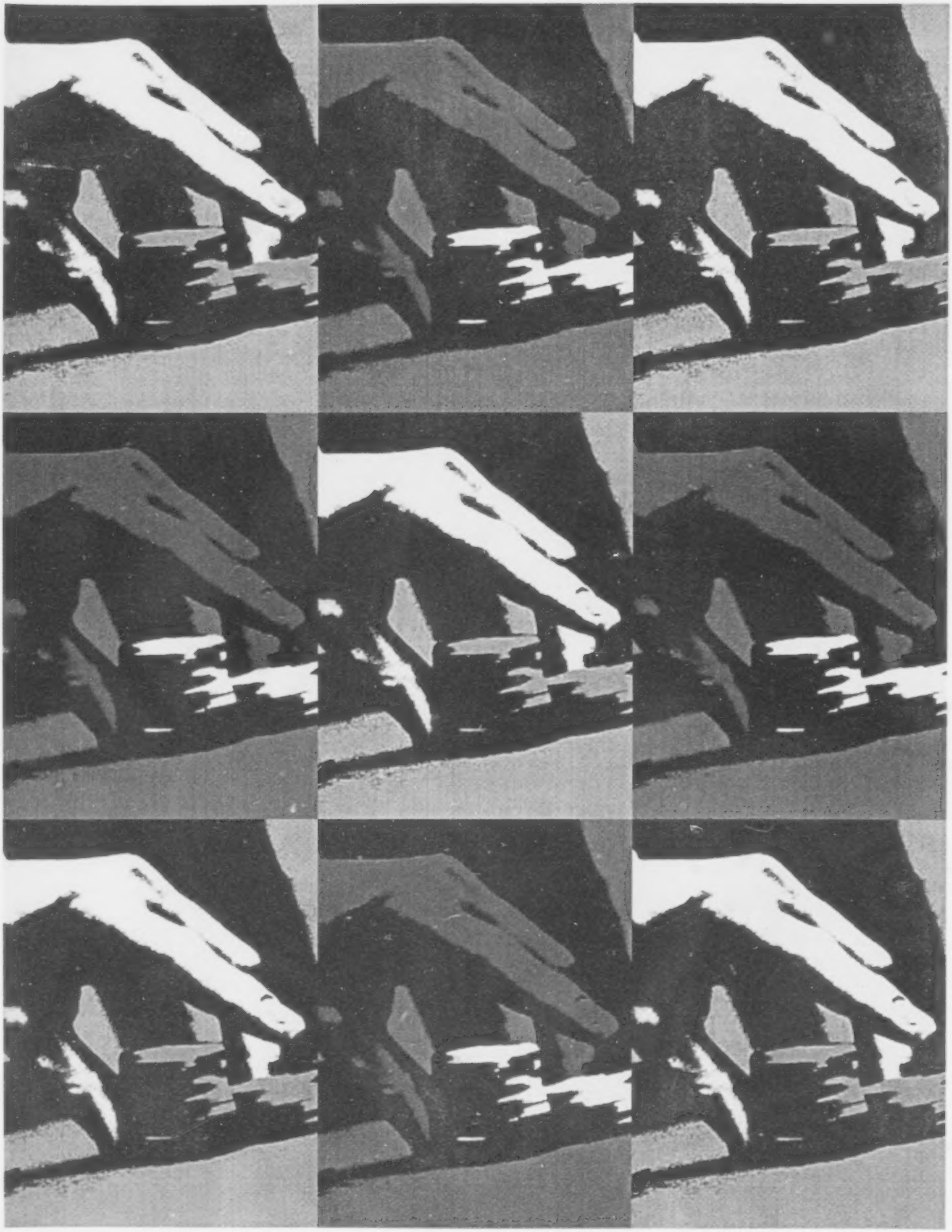
By fiscal year end, ground had been broken, the road and track roughed in and the footings were in place for construction to begin on the Grand River Raceway. The facility is slated to open in late 2003 and will create more than 70 new jobs.

Rounding the Bend

Planning was also underway this fiscal year for a future slots facility in the Belleville-Quinte area and an allocation of 200 slots at Picov Downs in Ajax was approved.

Slots at Western Fair Raceway





Commercial Casinos

OLGC owns and maintains authority over three commercial casinos in Ontario – Casino Windsor, Casino Niagara and Casino Rama. Private-sector corporations manage their day-to-day operations. The Ontario Government receives 20 per cent of gross gaming revenue from commercial casinos as well as 100 per cent of net profits from Casino Windsor and Casino Niagara, while net revenues from Casino Rama are distributed to Ontario's First Nations for economic growth, community development, health and education.

Baccarat at Casino Niagara

Casino Niagara

On June 17, 2002, a 72-year-old retired hospital worker from Toronto named Joyce Walcott became Casino Niagara's 50 millionth customer. This milestone was achieved in the sixth month of the casino's sixth year of operation. That's more than nine million visitors a year! When the interim casino opened on December 9, 1996, it was expected to attract around six million people per year.

Casino Niagara remains Canada's most popular commercial tourist attraction, offering 100,000 square feet of gaming. Located in the heart of one of the world's premier tourist destinations – Niagara Falls – Casino Niagara features more than 2,800 slot machines, 140 gaming tables, four restaurants and eight bars on four levels. The facility's gaming space is modeled after the great public architecture of the roaring 20s.

Fiscal 2002/2003 was a year of milestones for Casino Niagara. Canada's most popular commercial tourist attraction also faced a number of challenges: lingering fallout from the tragic events of September 11, 2001 an uncertain economy, the military intervention in Iraq, an unusually harsh winter, Severe Acute Respiratory Syndrome and the opening of the Seneca Niagara Casino in neighbouring Niagara Falls, New York. Casino Niagara faced them all head on and thrived! Planning and luck paid off.

On December 31, 2002 the day the Seneca casino opened for business, Casino Niagara experienced the single

Above: Interim Casino Niagara

Right: The new Niagara casino under construction

largest slot win in its history. Just over a month later on February 1, 2003 Casino Niagara experienced its second-best table drop ever.

Niagara's interim casino has been an outstanding success story and employs approximately 3,700 people living in more than 55 communities in and around the Niagara region and as far away as Brampton, Markham, Brantford, Toronto, Hamilton and Burlington. Casino Niagara employs more than 2,000 citizens of Niagara Falls and 600 citizens of St. Catharines. At the end of the fiscal year, the government announced its decision to keep the interim casino open even after the permanent casino opens in 2004.

This year, construction continued on the banks of the Horseshoe Falls in Niagara Falls, as the new casino began to take shape. Under the direction of the Hyatt-led Falls Management Company, approximately $1 billion will be spent on construction of this world-class gaming facility, representing the largest single tourism investment in the Niagara region and the largest commercial construction project of its kind in Canada. Taking advantage of one of the world's most spectacular natural environments, this year-round entertainment complex will draw tourists from around the globe. Currently, more than 1,000 people – over 700 of them locals – and 50 companies are working on the project.

Commercial Casinos as of March 31, 2003

Facilities	Patrons	Employees	Gaming Tables	Slots
Casino Windsor	5,331,100	4,290	83	3,301
Casino Rama	3,773,900	3,823	122	2,272
Casino Niagara	7,476,600	3,664	142	2,845
Total	16,581,600	11,777	347	8,418

When the new casino opens in spring 2004, it will include 3,000 slot machines, 150 gaming tables, a 368-suite five-star hotel, numerous fine-dining establishments, 50,000 square feet of meeting and conference space, a health spa, thousands of square feet of retail space, a 1,500-seat performing-arts centre and more! All this is set on an

exquisitely landscaped 2.5-million-square-foot property, overlooking one of the most famous views in the world – Niagara's Horseshoe and American Falls.

The new Niagara casino project has led the region toward unparalleled economic growth in the order of 3.9 per cent in 2002 – the fastest rate of growth among the top 25 economies in Canada. The spin-offs are staggering. More than 30 major projects worth approximately $2 billion are proposed, including $1.25 billion in new tourist attractions and $750 million in high-rise developments. In the city of Niagara Falls, the number of building permits jumped 19 per cent in 2002 over 2001. A total of 2,000 permits were issued for a construction value of $325 million and an investment value in excess of $1 billion.

Casino Rama

Counter-clockwise from top:
Artist's rendering for new Niagara casino
Casino Rama resort complex
Jay Leno at Casino Rama's entertainment centre, August 2002

September 2002 brought the grand opening of Casino Rama's 300-suite full-service hotel offering patrons top-notch accommodations with full-service spa and adding three restaurants, for a total of nine, to this fabulous casino resort complex. Near the eastern shore of Lake Couchiching, Casino Rama attracted more than 3.7 million visitors for 24-hour-a-day play this year.

Top: Casino Rama's new entertainment complex seats 5,000

Above: Casino Rama Hotel's vaulted lobby and one of its bright and luxurious suites

Voted "Ontario's Favorite Casino" for the sixth consecutive year in the *Toronto Sun* Reader's Choice Awards, Casino Rama offers a full resort and entertainment experience. Its 5,000-seat state-of-the-art entertainment centre presented 126 shows this fiscal year. Among the more than 80 entertainers who graced the stage in 2002/2003 were: Bill Cosby, Diana Ross, Jay Leno, Donny Osmond, Martina McBride, Vince Gill, Olivia Newton-John (with symphony orchestra), and Joe Cocker. In June 2002, Meat Loaf conducted rehearsals and launched his North American tour from the casino.

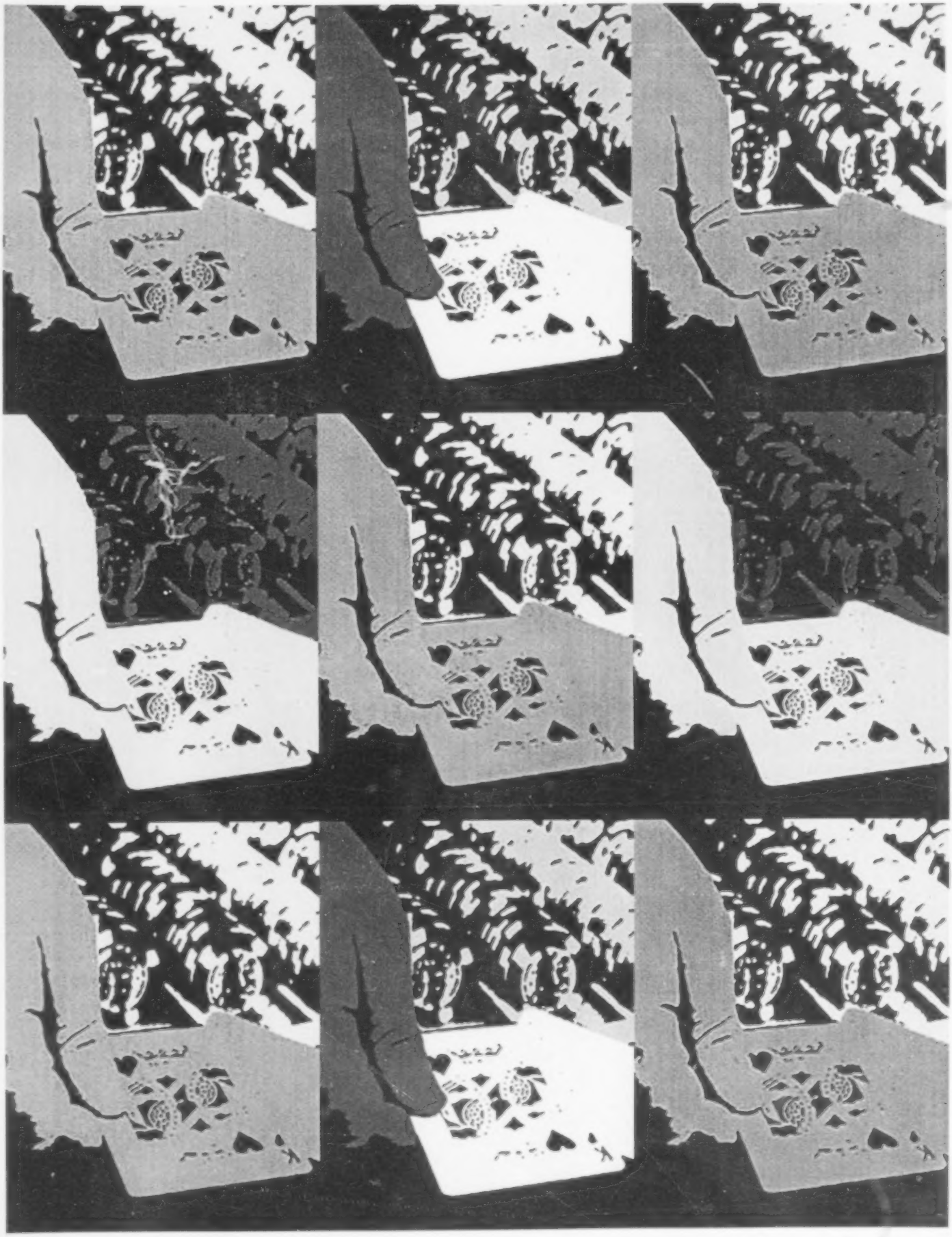
Averaging more than two shows a week year-round, this first-class entertainment venue draws thousands of new patrons to Casino Rama where they can also enjoy an evening of dining and gaming entertainment.

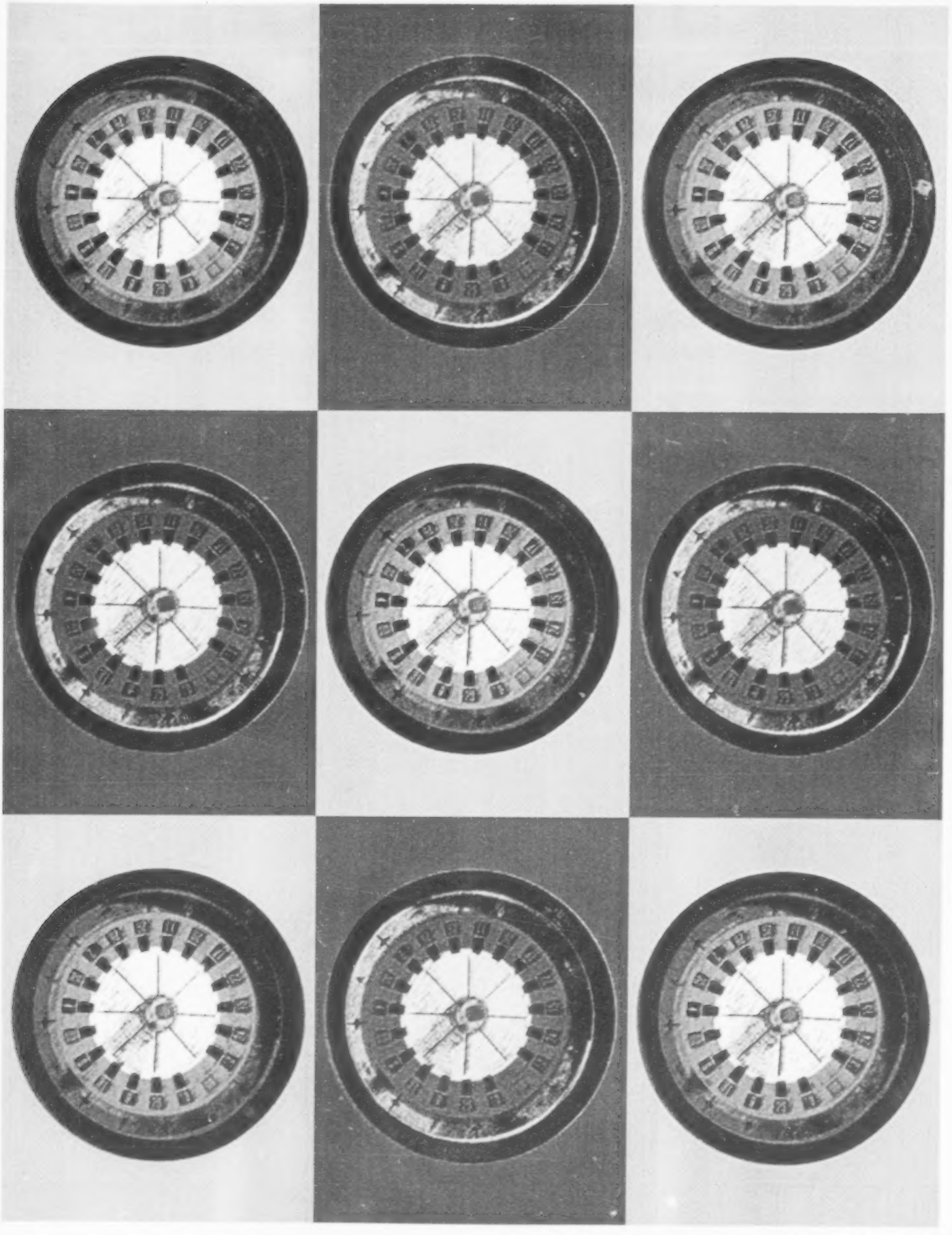
Under the terms of the Casino Rama Revenue Agreement, net revenues are distributed to First Nations in Ontario. Casino Rama has created significant economic opportunities for the region and for First Nations people in Ontario. There are currently over 750 First Nations staff among Casino Rama's 3,800-plus employees, which makes it the largest single-site employer of First Nations people in Canada. The new hotel and entertainment facilities continue to build on that success.

As a significant tourist magnet itself, this year Casino Rama became a founding partner of "Lake Country Tourism Marketing Board." The mission of the newly formed association is to promote Lake Country as a beautiful tourist-friendly area that lies between Barrie (the fastest growing city in Ontario) and Muskoka (one of the most recognized tourism destinations of North America). With a Casino Rama executive on the Lake Country Board, the casino contributes tourism expertise and marketing savvy as well as financial support to this new joint venture.

Casino Rama is a tourism and community leader in the region. The casino continues to support two of Orillia's popular attractions: Mariposa Folk Festival ($10,000), which has returned to the town permanently, and the 50s and 60s Weekend ($15,000). These summer weekend events bring tens of thousands of visitors to the area, resulting in positive economic spin-offs for the city as well as the casino.

This year, Casino Rama extended its local community-sponsorship reach to Barrie, becoming a major sponsor of the city's Sesquicentennial (150th anniversary) – with events continuing throughout 2003.





Casino Windsor

The elegant Casino Windsor is one of the largest gaming facilities in North America. Situated on the city's scenic riverfront parkland, a 21-storey, four-diamond hotel adjoins a magnificent two-level casino, offering 100,000 square feet of gaming space, more than 3,300 slot machines and 83 gaming tables. Six restaurants, a health club and full-service salon, a theatre venue (the Showtime Lounge), a private VIP gaming and lounge area and 15,000 square feet of meeting and convention space make this a premier destination.

The interior design provides a tropical escape, with waterfalls cascading 60 feet into dancing pools of water surrounded by lush tropical plants and palm trees.

Located less than a five-minute drive from the American border, Casino Windsor competes with three Detroit casinos for a large and lucrative gaming market from Michigan, Ohio, Indiana, Western Pennsylvania, New York and Ontario. As the Ambassador Bridge and Detroit/Windsor tunnel deliver 80 per cent of its customers, Casino Windsor is particularly affected by trends in American tourism. Repercussions from the events of September 11, 2001 continue to be felt, but the casino is working successfully to rebuild business using strong marketing strategies and offering more of what customers want in an exciting gaming experience. This fiscal year, the US military intervention in Iraq had a weakening effect on tourism and entertainment during March 2003.

Casino Windsor is operated by Windsor Casino Limited, a consortium of Park Place Entertainment and Hilton Hotels Corporation. The casino welcomed just over 5.3 million visitors this year and employs nearly 4,300 employees – remaining the second largest employer in the city.

On the gaming floor, multi-line, multi-coin nickel slot machines are still a very popular feature for Casino Windsor customers. Over the past year, the number of nickel games at both commercial and charity casinos has increased more than 100 per cent. At Casino Windsor, there are now more than 740 nickel slots.

MegaBucks progressive slot machines, linked to the two other Ontario commercial casinos, have also proven to be a major attraction, with Casino Windsor's largest jackpot to date awarded in April 2002 for $1.8 million. These mega-machines hit again in February 2003 for more than $1.5 million.

Also striking it rich on the gaming floor are Casino Windsor's craps tables offering 10-times odds, the only offer of its kind in the area. A new side bet on blackjack tables called "Streak" was also introduced this year

Above: Waterfall in lobby of Casino Windsor

Right: Entrance to Windsor's ever-popular Nickel Slots

and has proven to be a success with players. For table-game employees, a new Table Touch Rating system was launched in the fall of 2002. Players Prestige card-holders can now have their cards swiped at the table to accumulate points and privileges while they play. In addition to providing fast, accurate ratings for players, data collected is automatically communicated to the Cage, eliminating paperwork and saving time as well as allowing shift managers to track usage and manage personnel allocations to meet demand.

Casino Windsor's direct-mail marketing campaigns continue to build on the success of the Reward Yourself Kiosks. Customers can access their account information through these easy to use ATM-type machines. All direct mail for the year was designed to encourage use of the kiosks to access coupons, receive Cash Back, register for special parties and print out ballots for various draws for cars and cash prizes. While such kiosks are well known in Atlantic City and Las Vegas, Casino Windsor continues to be the only facility in the Windsor-Detroit area to employ this technology. This year, Casino Windsor's kiosks generated over one million transactions.

Another customer-driven convenience launched this year was the campaign, "Check Your Net Worth," which allows customers to access their Players Prestige account information through the newly redesigned Casino Windsor Web site. Customers simply log onto the site using their account number and a PIN, and are able to review their Cash Back and complimentaries availability and any offers or event invitations sent to them through the mail. The information on the Reward Yourself Kiosks is now also available on customers' home computers, a convenience that has been very well received by the increasing number of club members who are Internet savvy. This has helped rebuild the client base that Casino Windsor worked so hard to create.

Management's Responsibility for Annual Reporting

The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where required, management has made informed judgments and estimates in accordance with Canadian generally accepted accounting principles.

The Board of Directors oversees management's responsibilities for financial reporting through its Audit and Risk Management Committee, which is composed entirely of directors who are neither officers nor employees of the Corporation. The Audit and Risk Management Committee reviews the financial statements and recommends them to the Board for approval. This Committee meets periodically with management, internal audit and the external auditors.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their applications on an ongoing basis. The reports prepared by the internal auditors are reviewed by the Committee. The internal auditors have free independent access to the Committee.

Grant Thornton LLP and KPMG LLP, the independent auditors appointed by the Board of Directors on the recommendation of the Audit and Risk Management Committee, have examined the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements. The independent auditors have full and unrestricted access to the Committee.

Ron D. Barbaro
Chair and
Chief Executive Officer

E.T. Dalton, CA
Chief Financial Officer and
Senior Vice President,
Finance & Administration

Auditors' Report

To the Board of Directors of the Ontario Lottery and Gaming Corporation and to the Ministry of the Attorney General

We have audited the consolidated balance sheet of the Ontario Lottery and Gaming Corporation as at March 31, 2003 and the consolidated statements of operations, cash flows, changes in Due to Province of Ontario and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
May 16, 2003

Grant Thornton LLP

Chartered Accountants
Sault Ste. Marie, Canada
May 16, 2003

Consolidated Balance Sheet

As at March 31, 2003 (in thousands of dollars)

Commitments (Notes 4, 8 and 10)
Contingencies (Note 11)

See accompanying notes to consolidated financial statements.

	2003	2002
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ 499,015	$ 543,059
Accounts receivable	46,831	59,456
Due from Government of Canada	1,168	–
Prepaid expenses and other	53,058	44,085
	600,072	646,600
Pre-opening and deferred development expenditures (Note 3)	35,774	50,365
Loans receivable (Note 4)	30,273	49,492
Capital assets (Note 5)	1,423,402	1,346,801
Assets contributed to Chippewas of Mnjikaning and deferred charges (Note 6)	22,744	18,902
Cash and short-term investments held for First Nations (Note 7)	54,938	30,691
	$ 2,167,203	$ 2,142,851
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 272,325	$ 248,161
Due to operators (Note 8)	38,026	47,947
Due to Chippewas of Mnjikaning (Note 8)	4,884	16,634
Due to Government of Canada	–	30,758
Deferred revenues	14,579	10,309
Current portion of long-term liabilities (Note 9)	18,656	18,656
	348,470	372,465
Due to First Nations (Note 7)	46,753	22,973
Long-term liabilities (Note 9)	156,106	167,904
Equity		
Due to Province of Ontario	197,612	265,018
Reserves (Note 2)	169,622	154,250
Equity in capital assets	1,248,640	1,160,241
	1,615,874	1,579,509
	$ 2,167,203	$ 2,142,851

On behalf of the Board:

Ron D. Barbaro, Chair

Louis E. Panontin, Director

Consolidated Statement of Operations

Year ended March 31, 2003 (in thousands of dollars)

	2003	2002
Revenues		
Lotteries and bingo	$ 2,208,776	$ 2,111,703
Commercial casinos	1,669,963	1,694,513
Charity casinos	433,360	373,271
Racetrack slot operations	1,449,921	1,262,523
	5,762,020	5,442,010
Direct operating expenses		
Lotteries and bingo	1,516,045	1,439,532
Commercial casinos	1,276,590	1,245,158
Charity casinos	277,082	225,655
Racetrack slot operations	731,963	614,262
	3,801,680	3,524,607
Income before the undernoted	1,960,340	1,917,403
Interest and other income, net	15,995	28,922
Foreign exchange gain	26,854	32,885
Net income	$ 2,003,189	$ 1,979,210

Segmented information (Note 12)

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

As at March 31, 2003 (in thousands of dollars)

	2003	2002
Assets		
Current assets		
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	1,615,874	1,579,509
	$ 2,167,203	$ 2,142,851

Commitments (Notes 4, 8 and 10)
Contingencies (Note 11)

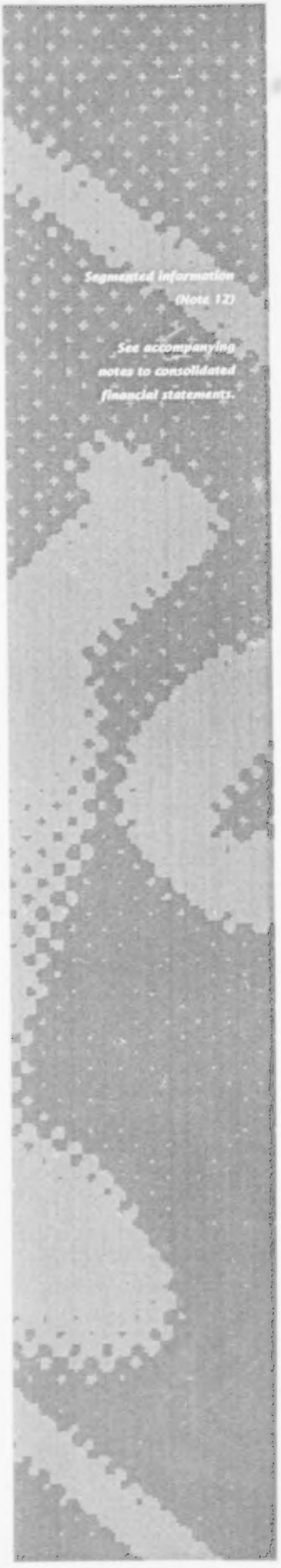
See accompanying notes to consolidated financial statements.

On behalf of the Board:

Ron D. Barbaro, Chair

Louis E. Ponsetto, Director

Consolidated Statement of Operations



Consolidated Statement of Cash Flows

Year ended March 31, 2003 (in thousands of dollars)

See accompanying notes to consolidated financial statements.

	2003	2002
Cash derived from (applied to)		
Operations		
Net income	$ 2,003,189	$ 1,979,210
Amortization	169,780	169,762
Loss (gain) on disposal of capital assets	6,783	(36)
Unrealized foreign-exchange gain	–	(3,070)
Change in non-cash operating working capital	(21,978)	(4,356)
	2,157,774	2,141,510
Financing		
Increase in long-term liabilities	6,858	142,904
Repayments of long-term liabilities	(18,656)	(6,815)
	(11,798)	136,089
Investing		
Pre-opening and deferred development expenditures	(21,148)	(9,692)
Issuance of loans	(4,170)	(6,096)
Repayment of loans	23,389	13,911
Capital expenditures	(217,874)	(256,417)
Proceeds on disposal of capital assets	1,140	2,447
Assets contributed to Chippewas of Mnjikaning and deferred charges	(5,442)	198
	(224,105)	(255,649)
Other		
Payments to Province of Ontario	(1,900,932)	(1,857,051)
Distributions to First Nations	(65,450)	(80,134)
Cash and short-term investments held for First Nations	467	(5,031)
	(1,965,915)	(1,942,216)
Increase (decrease) in cash and cash equivalents	(44,044)	79,734
Cash and cash equivalents, beginning of year	543,059	463,325
Cash and cash equivalents, end of year	$ 499,015	$ 543,059
Supplemental disclosure of cash-flow information:		
Cash interest received	$ 10,648	$ 15,293
Cash paid for interest	11,219	6,724

Consolidated Statement of Changes in Due to Province of Ontario

Year ended March 31, 2003 (in thousands of dollars)

	2003	2002
Net income	$ 2,003,189	$ 1,979,210
Add (deduct)		
Capital expenditures, net	(209,449)	(262,586)
Amortization of capital assets	132,848	127,206
Repayments of long-term liabilities	(18,656)	(6,856)
Increase in long-term liabilities	6,858	142,904
Distributions to First Nations	(65,892)	(85,165)
Transfers to reserves, net		
Capital renewals	(8,113)	(30,366)
Operating	(4,744)	(5,968)
Severance	(2,515)	(2,557)
	(169,663)	(123,388)
Current year amount due	1,833,526	1,855,822
Payments to Province of Ontario	(1,900,932)	(1,857,051)
Amount due less payments	(67,406)	(1,229)
Due to Province of Ontario, beginning of year	265,018	266,247
Due to Province of Ontario, end of year	$ 197,612	$ 265,018

See accompanying notes to consolidated financial statements.

Consolidated Statement of Equity in Capital Assets

Year ended March 31, 2003 (in thousands of dollars)

	2003	2002
Balance, beginning of year	$ 1,160,241	$ 1,160,909
Capital expenditures, net	209,449	262,586
Amortization of capital assets	(132,848)	(127,206)
Repayments of long term liabilities	18,656	6,856
Increase in long-term liabilities	(6,858)	(142,904)
Balance, end of year	$ 1,248,640	$ 1,160,241

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2003 (in thousands of dollars)

	2003	2002
Cash derived from (applied to):		
Operations		
Net income	$ 2,003,189	$ 1,979,210
Amortization	169,780	163,762
Loss (gain) on disposal of capital assets	6,783	(36)
Unrealized foreign-exchange gain	—	(3,070)
Change in non-cash operating working capital	(21,978)	(4,356)
	2,157,774	2,141,510
Financing		
Increase in long-term liabilities	6,858	142,904
Repayments of long-term liabilities	(18,656)	(6,815)
	(11,798)	136,089
Investing		
Pre-opening and deferred development expenditures	(21,248)	(9,692)
Issuance of loans	(4,570)	(6,096)
Repayment of loans	23,369	13,911
Capital expenditures	(217,874)	(256,417)
Proceeds on disposal of capital assets	1,140	2,447
Assets contributed to Chippewas of Mnjikaning and deferred charges	(5,442)	198
	(224,105)	(255,649)
Other		
Payments to Province of Ontario	(1,900,932)	(1,857,051)
Distributions to First Nations	(65,450)	(80,134)
Cash and short-term investments held for First Nations	467	(5,031)
	(1,965,915)	(1,942,216)
Increase (decrease) in cash and cash equivalents	(44,044)	79,734
Cash and cash equivalents, beginning of year	543,059	463,325
Cash and cash equivalents, end of year	$ 499,015	$ 543,059
Supplemental disclosure of cash flow information:		
Cash interest received	$ 10,648	$ 15,293
Cash paid for interest	11,218	6,724

Consolidated Statement of Changes in Due to Province of Ontario

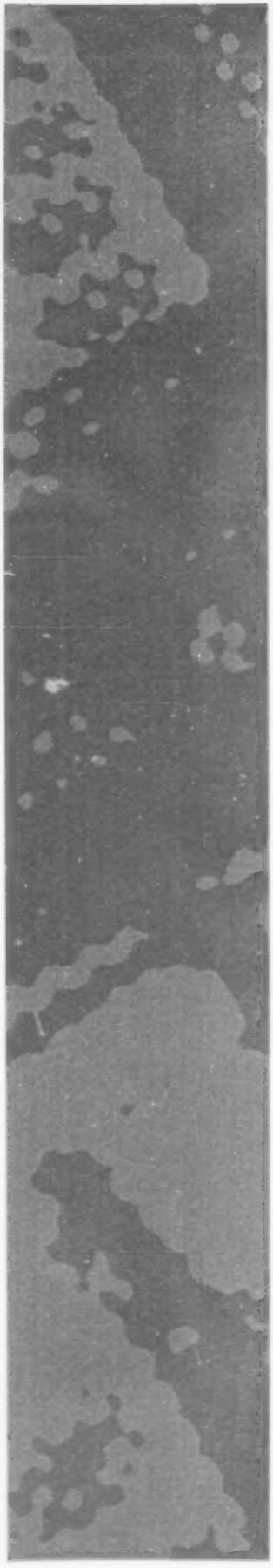
Net income	$ 2,003,189	$ 1,979,210
Add (deduct):		
Capital expenditures, net	(209,449)	(262,586)
Amortization of capital assets	132,848	127,206
Repayments of long-term liabilities	(18,656)	(6,856)
Increase in long-term liabilities	6,858	142,904
Distributions to First Nations	(65,892)	(85,165)
Transfers to reserves, net:		
Capital renewals	(8,113)	(30,366)
Operating	(4,744)	(5,968)
Severance	(2,515)	(2,557)
	(169,663)	(123,388)
Current year amount due	1,833,526	1,855,822
Payments to Province of Ontario	(1,900,932)	(1,857,951)
Amount due less payments	(67,406)	(2,129)
Due to Province of Ontario, beginning of year	265,018	266,247
Due to Province of Ontario, end of year	$ 197,612	$ 264,118

See accompanying notes to consolidated financial statements.

Consolidated Statement of Equity in Capital Assets

Balance, beginning of year	$ 3,360,041	$ 3,159,899
Capital expenditures, net	209,449	262,586
Amortization of capital assets	(132,848)	(127,206)
Repayments of long-term liabilities	18,656	6,856
Increase in long-term liabilities	(6,858)	(142,904)
Balance, end of year	$ 3,448,440	$ 3,159,231

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements

Year ended March 31, 2003 (tabular amounts in thousands of dollars)

The Ontario Lottery and Gaming Corporation (OLGC) was incorporated without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, five charity casinos and the Great Blue Heron Charity Casino Slot Machine Facility, fifteen slot operations at racetracks and three commercial casinos in the Province of Ontario.

The Corporation has entered into operating agreements with Windsor Casino Limited, CHC Casinos Canada Limited, Falls Management Company and Great Blue Heron Gaming Company for the operation of Casino Windsor, Casino Rama, Casino Niagara and the Great Blue Heron Charity Casino Slot Machine Facility, respectively.

Casino Rama is located on reserve lands of the Chippewas of Mnjikaning First Nation. Under the terms of the Casino Rama Revenue Agreement dated June 9, 2000, Ontario First Nations are entitled to the ongoing net revenues of the operation. Upon the ultimate dissolution and wind up of the operation, Ontario First Nations are entitled to the net proceeds from the disposition of the moveable assets as well as any remaining undistributed earnings. In addition, under the terms of a 25-year lease (expiring in March 2021) between the Corporation and Casino Rama Inc., upon dissolution and wind up of the casino operation the Corporation is required to surrender to the lessor, Casino Rama Inc., the lands and all improvements, except furniture and fixtures, which the Ontario First Nations are entitled to.

The assets, liabilities and operations of the slot machine facility at the Great Blue Heron Charity Casino are included in these financial statements. The operating results are included with the results of the charity casinos. These financial statements do not include other operations carried out at that charity casino.

1. Significant accounting policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its 100% owned subsidiaries, Ontario Gaming Assets Corporation and OLC Services Limited. These subsidiaries were established to purchase capital assets which are leased to the parent corporation, at cost.

In addition, the consolidated financial statements combine the financial position and results of operations of the commercial casinos at Casino Rama, Casino Niagara and Casino Windsor, and of the Great Blue Heron Charity Casino Slot Machine Facility.

b) Revenue recognition

Revenue from lottery games, for which results are determined based on a draw, is recognized when the draw takes place. Revenue from INSTANT games is recognized when the ticket is activated for play by the retailer. Revenue from sports wagering games and bingo gaming is recognized when the ticket is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table game operations represents the net win from gaming activities, which is the difference between amounts earned through gaming wagers less the payouts from those wagers.

Non-gaming revenues include revenue from hotel, food and beverage and other services and are recognized at the time the services are rendered to patrons. This also includes the retail value of accommodations, food and beverage and other services provided to patrons on a complimentary basis.

c) Promotional allowances

Promotional allowances include the retail value of accommodation, food and beverage and other goods and services provided on a complimentary basis to patrons. The player clubs at the casinos and slot facilities allow patrons to earn points based on the volume of play. These points are accrued as a liability based on estimated redemption and are redeemable for complimentary goods and services and/or cash rebates. Promotional allowances include the value of the points as they are earned.

Promotional allowances also include the retail value of coupons (hotel, food and beverage and other goods and services) and other incentives provided to the patrons when these coupons are redeemed. The retail value of these coupons is included in revenue.

The estimated costs of providing these promotional allowances have been included as expenses in the Statement of Operations.

d) Pre-opening and deferred development expenditures

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of racetrack slot operations and casinos are deferred and amortized over three years, commencing with site opening.

Expenditures, consisting of compensation, consulting and other costs incurred in connection with the development of a management information system and other projects are deferred and amortized over a period not exceeding five years.

e) Capital assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows.

Buildings	10 to 50 years
Furniture and fixtures	3 to10 years
Leasehold improvements	3 to 15 years
Lottery gaming assets	3 to 5 years
Casino and racetrack slot operation gaming assets	3 to 5 years

Capital assets are amortized when brought into operations.

Construction in progress is stated at cost. Costs will be amortized commencing upon completion of the related project. Interest on debt used to finance major additions to capital assets is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

The Corporation regularly reviews the carrying values of its capital assets by comparing the carrying amount of the asset to the expected future cash flows to be generated by the asset. If the carrying value exceeds the estimated amount recoverable, a write-down equal to the excess of the carrying value of the asset's fair value is charged to operations.

f) Assets contributed to Chippewas of Mnjikaning and deferred charges

Assets contributed to Chippewas of Mnjikaning, consisting primarily of funding for the construction of a community centre, senior centre and certain infrastructure facilities, are amortized over the term of the Casino Rama ground lease. Deferred charges consist of financing fees, which are amortized over the term of the related debt.

g) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Statement of Operations items are translated at the rate of exchange in effect at the transaction date. Translation gains and losses are included in the Consolidated Statement of Operations in the period in which they arise.

h) Derivative financial instruments

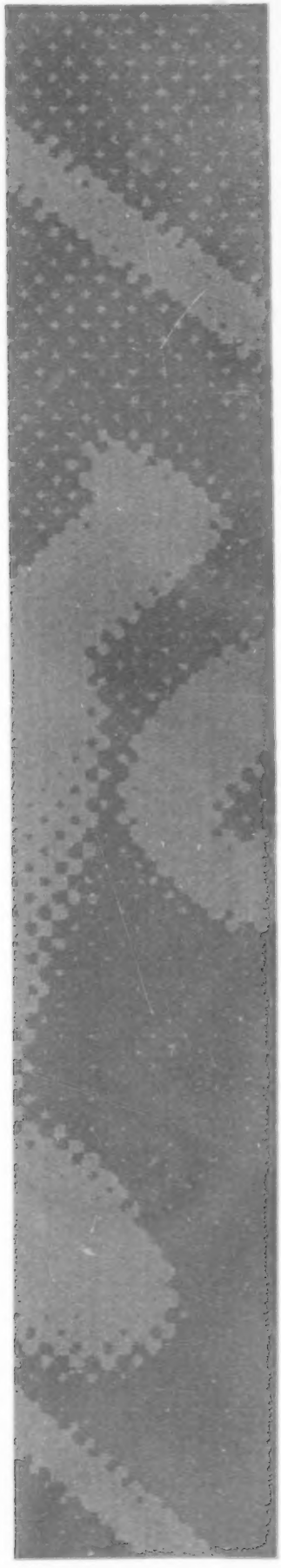
Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, is party to certain derivative financial instruments, principally interest rate swap contracts, used to manage its exposure to interest rate fluctuations on the non-revolving term loan (Note 9). These instruments are not recognized in the financial statements of the Corporation on inception. Payments and receipts under the interest-rate swap contracts are recognized as adjustments to interest capitalized to construction-in-progress or to interest expense. The fair value of the interest rate swap contracts was calculated based on market conditions at year end, supplemented with a quote from a financial institution. The fair value represents the amount that would be paid to terminate or replace the contracts. There are no present plans to terminate or replace significant portions of the contracts.

i) Concentration of credit risk

The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of cash equivalents, accounts receivable and loans receivable. Cash equivalents consist of deposits with major commercial banks. Accounts receivable includes credit provided to retailers of lottery products and patrons of commercial casinos. Loans receivable consist of loans to racetrack operators and municipalities. The Corporation performs ongoing credit evaluations of retailers, patrons, racetrack operators and municipalities and maintains reserves for potential credit losses.

j) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, cash and short-term investments held for First Nations, accounts payable and accrued liabilities, due to operators, due to



Chippewas of Mnjikaning, and long-term liabilities. The fair value of these financial instruments, excluding loans receivable and long-term liabilities approximates carrying amounts due to the short maturities of these instruments. The fair value of loans receivable approximates carrying value prior to consideration of the allowance for loan losses, and is estimated by discounting the future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and similar remaining maturities. The fair value of the long-term liabilities approximates carrying value and is calculated by discounting future cash flows using rates currently available for similar terms and maturities.

k) Use of estimates

In conformity with Canadian generally accepted accounting principles, management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements. Actual results could differ from those estimates.

2. Cash and cash equivalents

Cash and cash equivalents include the below-noted amounts which are held in separate accounts.

	2003	2002
Reserves		
Capital renewals	$ 86,685	$ 78,572
Operating	61,160	56,416
Severance	21,777	19,262
	169,622	154,250
Prize funds on deposit	32,852	33,288
Term loan proceeds	8,132	61,074
	$ 210,606	$ 248,612

The Corporation has established cash reserves at the commercial casinos in accordance with their respective operating agreements for the following purposes:

i) Capital renewals reserve for capital asset additions other than normal repairs or major renovations;

ii) Operating reserve to satisfy specified obligations in the event that revenue will be insufficient to meet such obligations; and

iii) Severance reserve to satisfy certain obligations of the Corporation arising from termination or layoff of employees of an operator in connection with the termination of an operator.

Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding less an estimate for prizes not expected to be claimed by players.

Term loan proceeds represent restricted cash at Casino Rama that is to be used for construction in progress.

Cash and cash equivalents include bank term deposits amounting to $43,000,000 (2002 – $92,914,000) at interest rates varying between 2.1% and 3.2% (2002 – 1.8% and 4.3%).

3. Pre-opening and deferred development expenditures

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Pre-opening expenditures				
Commercial casinos	$ 4,327	$ 3,180	$ 1,147	$ 1,402
Charity casinos	38,452	33,285	5,167	11,011
Racetrack slot operations	82,326	75,663	6,663	25,502
	125,105	112,128	12,977	37,915
Deferred development expenditures	31,790	8,993	22,797	12,450
	$ 156,895	$ 121,121	$ 35,774	$ 50,365

4. Loans receivable

The Corporation has loaned funds to certain racetrack operators for the purposes of renovating or constructing buildings to accommodate the Corporation's slot-machine facilities. Security is provided by mortgages and general security agreements covering the racetrack operators' assets. The loans bear interest based on the bank's prime rate and are repayable over periods ranging from one to ten years. The amounts will be repaid under an agreed-upon formula by withholding from commissions that would otherwise be payable to the racetrack operators. The Corporation has also loaned funds to certain municipalities for purposes of infrastructure improvements. The amounts will be recovered from the municipal commissions otherwise payable.

The Corporation is committed to loan up to $32,500,000 to two racetrack operators of which $3,865,000 is repayable to the Corporation at March 31, 2003. As well, the Corporation is committed to loan up to a maximum of $4,875,000 to two municipalities of which $3,259,000 has been advanced at March 31, 2003.

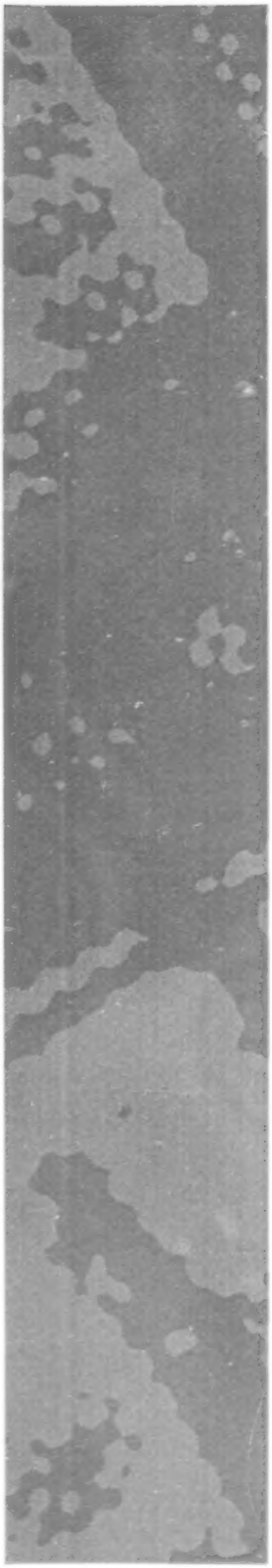
5. Capital assets

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Land	$ 133,161	$ –	$ 133,161	$ 132,245
Buildings	636,925	56,623	580,302	642,615
Furniture and fixtures	408,182	229,220	178,962	62,227
Leasehold improvements	495,840	172,088	323,752	111,683
Lottery gaming assets	119,851	109,968	9,883	573
Casino and racetrack slot operation gaming assets	353,712	198,894	154,818	271,065
Construction in progress	42,524	–	42,524	126,393
	$ 2,190,195	$ 766,793	$ 1,423,402	$ 1,346,801

During the year the Corporation capitalized interest amounting to $1,369,000 (2002 – $4,085,000).

6. Assets contributed to Chippewas of Mnjikaning and deferred charges

	Cost	Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
Assets contributed to Chippewas of Mnjikaning	$ 32,337	$ 12,952	$ 19,385	$ 14,935
Deferred charges	3,950	591	3,359	3,967
	$ 36,287	$ 13,543	$ 22,744	$ 18,902



7. Cash and short-term investments held for First Nations

	2003	2002
Distributions to the segregated bank account	$ 45,881	$ 22,832
Interest earned	872	141
	46,753	22,973
Distribution due to First Nations, included in accounts payable and accrued liabilities	8,185	7,718
	$ 54,938	$ 30,691

The Casino Rama Revenue Agreement requires that, commencing July 31, 2001, the Corporation retain 35% of the net distributions from Casino Rama in a segregated bank account if the Corporation has not received a joint direction from the Chiefs of Ontario and the Chippewas of Mnjikaning with respect to a new revenue distribution formula. The Corporation has not received this direction and accordingly has retained 35% of the net revenue in a segregated interest-bearing bank account since July 31, 2001. This matter is currently the subject of an action brought by the Chippewas of Mnjikaning against the Province of Ontario and the Corporation, and until the matter is decided by the courts or, alternatively, the Chippewas of Mnjikaning and the Chiefs of Ontario reach agreement on a new revenue distribution formula, the Corporation is required to retain these funds.

On June 9, 2000, the Corporation, the First Nations of Ontario and the Province of Ontario entered into a Revenue Agreement that entitles the Ontario First Nations to the net revenues, as defined, from the operation of Casino Rama. Under the agreement, the Corporation is required to distribute the net revenues from the operation on a monthly basis. The payment related to March 2003 is included above as Distribution due to First Nations.

8. Related party transactions

a) Under the terms of the development and operating agreements for each of the commercial casinos and the Great Blue Heron Charity Casino Slot Machine Facility, the operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin, both as defined in each of the related development and operating agreements.

b) Under the terms of the development and operating agreement for Casino Rama, the Chippewas of Mnjikaning receive an annual fee of $4,500,000, adjusted for inflation, relating to provision of ongoing operating services. Other Chippewas of Mnjikaning charges amounting to $9,242,000 (2002 – $4,922,000) were also incurred during the year in connection with snow removal, water, sewer and emergency services. In addition, under the terms of a ten-year lease expiring July 2006, an annual rental of $667,000, adjusted for inflation, for office and warehouse space is paid to a company related to the Chippewas of Mnjikaning.

On April 30, 2002, an agreement was signed with the Chippewas of Mnjikaning, whereby the Corporation will reimburse the Chippewas of Mnjikaning 75% of the annual operating budget of the fire department, in exchange for fire protection services to the casino complex. This amount is included in other Chippewas of Mnjikaning charges above, and is defined in the agreement for the period of April 1, 2000 to July 31, 2011.

The lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in the Right of Canada under a 25-year lease, which expires in March 2021. Annual rent payable under this lease is $3,500,000, adjusted for inflation, and is paid out of the gross revenues of the Casino Rama complex to the Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. Under the terms of an expansion agreement, additional annual rent of $1,700,000, adjusted annually for inflation, is payable.

The Chippewas of Mnjikaning is the developer of the expansion of the Casino Rama complex and included in the amounts due to the Chippewas of Mnjikaning is $1,334,000 (2002 – $9,047,000) related to the construction.

c) Under the terms of the development and operating agreement, the Mississaugas of Scugog Island First Nation receive an amount equal to 5% of the gross revenue of the Great Blue Heron Charity Casino Slot Machine Facility in consideration for provision of the lands used for the Slot Machine Facility.

9. Long-term liabilities

	2003	2002
Non revolving term loan	$ 167,904	$ 186,560
Less current portion	18,656	18,656
	149,248	167,904
Construction development liability (Note 10 e)	6,858	–
	$ 156,106	$ 167,904

The Corporation entered into an agreement relating to the expansion and renovation of Casino Rama. Under the terms of the agreement, the Chippewas of Mnjikaning are responsible for the development, construction and financing of the expansion project at Casino Rama, which was substantially completed during the year. In addition, Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, entered into a lending agreement which provides for a $186,560,000 non-revolving term credit facility for the project. The development and operating agreement for Casino Rama requires, among other things, that principal and interest payments be made from the gross revenues of the Casino Rama in 19 quarterly principal installments, beginning June 28, 2002, of $4,664,000 and a final installment of $97,644,000.

The credit facility bears interest at rates ranging between bank prime and bank prime plus 1.5%, dependent on conditions outlined in the credit facility agreement. Bank prime at March 31, 2003 is 4.75%. Interest paid during the year amounted to $10,858,000 (2002 – $6,256,000). An interest rate swap contract, which matures on June 30, 2007, was entered into with an original notional principle of $125,100,000. The balance under the contract at March 31, 2003, amounted to $115,224,000 (2002 – $111,200,000). The contract results in a fixed rate of 6.68% on the outstanding notional amount. The interest rate risk exposure is limited to the net differential between the variable borrowing rate and the fixed rate under the swap contract, which is approximately 3% at March 31, 2003. The net interest rate receivable or payable under the contract is settled quarterly with the counter party, which is a Canadian chartered bank. The fair value of the interest rate swap contract, which represents the amount that would be paid to terminate or replace the contract as at March 31, 2003 is $8,332,000 (2002 - $7,646,000).

The funds advanced under the credit facility have been secured by certain Casino Rama assets.

The principal repayments expected to be made over the next four years from the cash flow of the complex are approximately as follows:

2004	$ 18,656
2005	18,656
2006	18,656
2007	111,936

10. Commitments

a) Obligations under operating leases

The Corporation has entered into several leases for property and equipment. The future minimum lease payments are approximately as follows:

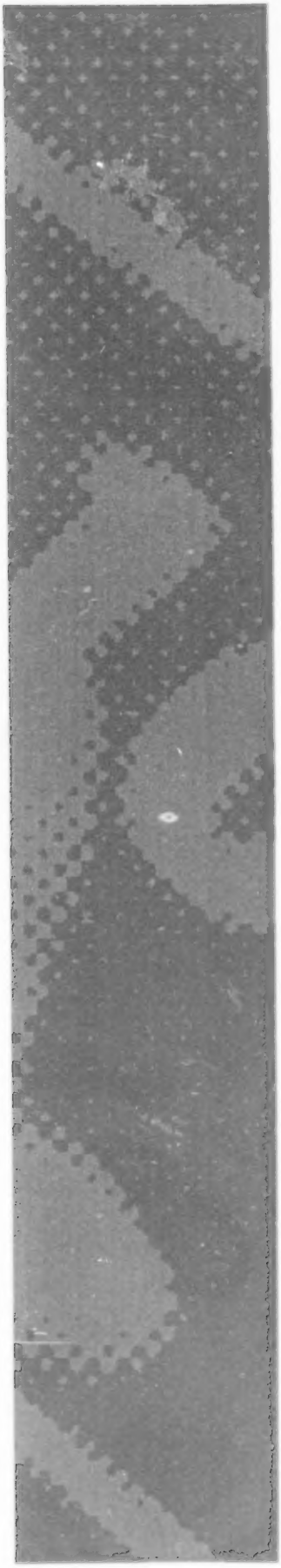
2004	$ 11,670
2005	9,972
2006	9,223
2007	7,266
2008	4,058
	42,189
Thereafter	14,314
	$ 56,503

The Corporation has extended its lease agreement for the interim premises at Casino Niagara until December 9, 2006 together with an option to renew for a further five years until December 9, 2011.

b) Suppliers

The Corporation has computer hardware and maintenance agreements with future payments of approximately:

2004	$ 6,960
2005	1,666
	$ 8,626



c) Lotteries

The Corporation has purchase agreements with suppliers for ticket-printing services and online supplies. A commitment for purchases to a maximum of $9,365,000 is in force until September 2004.

The Corporation has signed a contract for the replacement of its online lottery terminals and terminal software. The test phase of the terminal implementation commenced in late 2002 and implementation at retailer locations will commence during the summer of 2003. The total cost of this project is estimated to be $85,000,000.

d) Casino Windsor

In connection with the permanent casino complex in Windsor, Ontario, and under the terms of an agreement, the Corporation agreed to provide the City of Windsor with a fixed return over 20 years with payments commencing May 1, 1998 in the amount of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years.

e) Casino Niagara

In connection the permanent casino complex in Niagara Falls, Ontario, and under the terms of an agreement, the Corporation agreed to provide the Corporation of the City of Niagara Falls (the City) with a fixed return over 20 years with payments commencing December 7, 2000 in the amount of $2,600,000 per annum for the first 10 years, $3,000,000 per annum for the next 10 years and then $3,000,000, adjusted for Consumer Price Index, as defined in the agreement, thereafter. In addition, the Corporation is obligated to reimburse the City for the Corporation's share of certain infrastructure costs, amounting to $3,300,000.

On January 29, 2002 the Corporation signed an amended and restated master development agreement with Falls Management Company (FMC) for the construction and development of a permanent casino complex in Niagara Falls, Ontario. Under the terms of the contract, construction financing is the responsibility of the developer, and risks of the contract are substantially transferred to the developer. The risks to the Corporation include *force majeure*, extraordinary fluctuations in interest rates and Canadian dollar devaluation. The complex opening is scheduled for spring 2004. The Corporation will purchase the permanent casino complex from FMC for $794,000,000 upon the completion of the project. Additional capital costs to be incurred by the Corporation are estimated at $203,000,000 of which $92,351,000 has been expended at March 31, 2003. Included in the costs expended to date is $6,858,000 in construction development fees, representing a fee of 2.5% of project costs incurred by FMC to March 31, 2003 (Note 9). The total cost of the project is estimated to be $997,000,000.

f) Racetrack Slot Operations

As at March 31, 2003, the Corporation has entered into discussions with racetrack owners for the establishment of two additional racetrack slot operations, the total cost of which is undeterminable at this time.

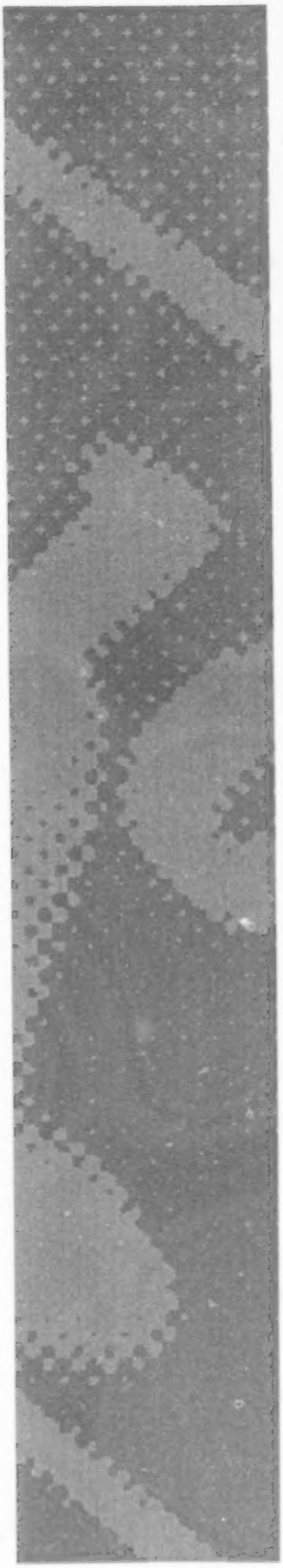
11. Contingencies

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on these financial statements. Settlements, if any, concerning these contingencies will be accounted for as a charge to the statement of operations in the period in which the settlement occurs.

12. Segmented information

Segment activity	Lotteries & Bingo	Commercial Casinos	Charity Casinos	Racetrack Slot Operations	2003 Total
Revenues					
Lotteries & bingo	$ 2,208,776	$ –	$ –	$ –	$ 2,208,776
Slots	–	1,267,415	377,277	1,490,968	3,135,660
Tables	–	435,887	58,332	–	494,219
Non-gaming	–	177,745	24,983	1,183	203,911
	2,208,776	1,881,047	460,592	1,492,151	6,042,566
Less promotional allowances	–	211,084	27,232	42,230	280,546
	2,208,776	1,669,963	433,360	1,449,921	5,762,020
Operating expenses					
Non-gaming	–	152,819	22,824	3,384	179,027
Gaming and lottery operations	88,275	305,246	91,518	132,015	617,054
Lottery prizes	1,134,696	–	–	–	1,134,696
Commissions	155,603	–	18,876	351,835	526,314
Marketing and promotion	40,781	125,949	16,094	64,343	247,167
Operators' fees (Note 8 a)	–	75,950	5,584	–	81,534
Amortization	6,371	66,781	33,391	63,237	169,780
General and administration	38,704	189,750	61,580	87,375	377,409
Win contribution (Note 14)	–	340,711	18,873	–	359,584
Payments to Government of Canada (Note 15)	51,615	19,384	8,342	29,774	109,115
	1,516,045	1,276,590	277,082	731,963	3,801,680
Income before the undernoted	692,731	393,373	156,278	717,958	1,960,340
Interest and other income, net	2,817	5,927	1,779	5,472	15,995
Foreign exchange gain	–	22,090	1,773	2,991	26,854
Net income	$ 695,548	$ 421,390	$ 159,830	$ 726,421	$2,003,189

Note 12 continued on following page



12. Segmented information *(cont'd from page 61)*

Segment activity	Lotteries & Bingo	Commercial Casinos	Charity Casinos	Racetrack Slot Operations	2002 Total
Revenues					
Lotteries & bingo	$ 2,111,703	$ –	$ –	$ –	$ 2,111,703
Slots	–	1,274,551	322,026	1,289,417	2,885,994
Tables	–	444,880	53,397	–	498,277
Non-gaming	–	157,491	19,119	932	177,542
	2,111,703	1,876,922	394,542	1,290,349	5,673,516
Less promotional allowances	–	182,409	21,271	27,826	231,506
	2,111,703	1,694,513	373,271	1,262,523	5,442,010
Operating expenses					
Non-gaming	–	139,402	17,664	2,967	160,033
Gaming and lottery operations	90,151	294,910	79,719	108,395	573,175
Lottery prizes	1,050,150	–	–	–	1,050,150
Commissions	151,577	–	16,169	303,995	471,741
Marketing and promotion	39,783	118,997	12,330	52,414	223,524
Operators' fees (Note 8 a)	–	83,244	5,020	–	88,264
Amortization	12,053	64,522	32,060	61,127	169,762
General and administration	44,663	171,099	38,739	57,783	312,284
Win contribution (Note 14)	–	343,810	16,857	–	360,667
Payments to Government of Canada (Note 15)	51,155	29,174	7,097	27,581	115,007
	1,439,532	1,245,158	225,655	614,262	3,524,607
Income before the undernoted	672,171	449,355	147,616	648,261	1,917,403
Interest and other income, net	8,651	17,403	607	2,261	28,922
Foreign exchange gain	7	26,633	1,773	4,472	32,885
Net income	$ 680,829	$ 493,391	$ 149,996	$ 654,994	$1,979,210

13. Post-employment plans

The Corporation provides pension benefits for all its permanent employees and to non-permanent employees who elect to participate through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees Union Pension Fund (OPSEU Pension Fund), which are multi-employer defined benefit pension plans established by the Province of Ontario. The cost of post-employment benefits is included as part of the pension contributions made by the Corporation to the PSPF and OPSEU Pension Fund, and accordingly the Corporation has no additional liability for these future costs. The Corporation's contribution rate to the fund increased during the year by 4%. The Corporation's contribution during the year was $8,735,000 (2002 – $4,678,000).

The operators of the commercial casinos have created defined contribution pension plans for their employees. The pension expense for the year amounted to $15,474,000 (2002 – $15,433,000).

14. Win contribution

The Corporation remits a contribution to the Province of Ontario equal to 20% of gaming revenue from commercial casinos and the Great Blue Heron Charity Casino Slot Machine Facility.

15. Payments to Government of Canada

The Corporation made the following payments to the Government of Canada:

	2001	2002
Payments on behalf of the Province of Ontario	$ 22,612	$ 21,886
Goods and Services Tax	86,503	93,121
	$ 109,115	$ 115,007

a) Payment on behalf of the Province of Ontario

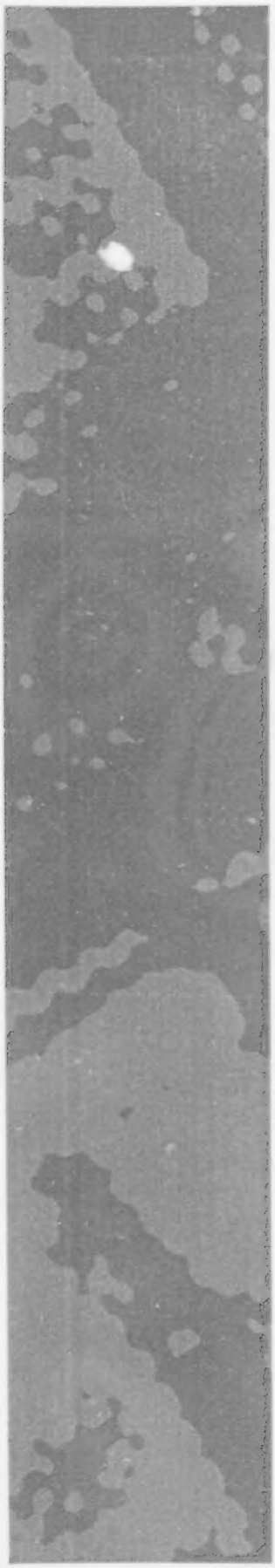
The provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

b) Goods and Services Tax

As a prescribed Goods and Services Tax (GST) Registrant, the Corporation makes GST remittances to the Federal Government pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities. The net tax attributable to gaming activities results in a 14% tax burden on taxable gaming expenditures incurred by the Corporation. The net tax attributable to non-gaming activities is calculated similar to any other GST registrant in Canada.

16. Comparative amounts

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.



Management's Discussion and Analysis

The following is a discussion and analysis of the results of operations of the Ontario Lottery and Gaming Corporation.

Revenues

The Ontario Lottery and Gaming Corporation completed the fiscal year ended March 31, 2003 with revenues of $5.8 billion. Increased revenues were realized in Lotteries & Bingo, Charity Casinos and Racetrack Slot Operations. Revenues are reported net of promotional allowances, which include the retail value of accommodation, food and beverage and other goods and services provided on a complimentary basis to patrons. Net income of $2.0 billion was $24.0 million higher than the previous year.

Lotteries & Bingo continue to be a strong revenue-generator with sales of $2.2 billion, $97.1 million ahead of the previous year. This increase was primarily due to an increase in LOTTO SUPER 7 revenues, a direct result of the bonus draws during the year. However, the excitement created by the LOTTO SUPER 7 bonus draws negatively affected the revenues of LOTTO 6/49 and other INSTANT game products. In addition, INSTANT game sales were negatively affected due to the removal of the BIG TICKET LOTTERY from the game line-up, as well as from the impact of the strong LOTTO SUPER 7 bonus draw sales.

In November 2001, the Corporation selected a supplier for the replacement of the online lottery terminals and terminal software. These new terminals will allow the Corporation to enhance the delivery of lottery products to retailers and players. The test phase of the terminal implementation commenced in late 2002 and implementation at retailer locations will commence during the summer of 2003.

Commercial casino revenues for the year were down $24.6 million from the previous year. The patron counts at the commercial casinos were approximately 16.6 million, 2.0 million lower than last year. Revenues for each casino were as follows:

	2003	2002
	(in millions)	(in millions)
Casino Windsor	$ 597	$ 639
Casino Niagara	598	597
Casino Rama	474	457

Despite a strong recovery after the September 2001 terrorist attacks, Casino Windsor was unable to overcome the continued border-crossing problems created by the increased threat of international terrorism and the ongoing conflict of the US war with Iraq. While Casino Niagara's revenues exceeded prior year, the opening of the Seneca Niagara Casino in New York State on January 1, 2003 created a competitive market which, combined with border-crossing issues as mentioned above, eroded the favourable revenue results that were realized earlier in the fiscal year. Casino Rama's revenues of $474 million exceeded the previous year's revenues of $457 million by $16.2 million because of the added attraction offered with the opening of the hotel in July 2002, increasing patron visits. Casino Rama became a full-destination resort, offering patron entertainment value and services.

Charity casino revenues, which include the slot-machine facility at Great Blue Heron Charity Casino, were $433.4 million, compared to $373.3 million last year. The opening of Thousand Islands Charity Casino in June 2002 contributed to the year-over-year increase. Total patron visits were 7.0 million for the year, an increase of 14.8% from 6.1 million patrons over the prior year.

While no new slots-at-racetrack facilities opened during the fiscal year, the Corporation has entered into discussions with racetrack owners for the establishment of two new slots-at-racetrack facilities in the upcoming year. The 15 facilities operating at March 31, 2003 generated revenues of $1.4 billion, as compared to $1.3 billion in the previous year.

The Corporation will be carefully monitoring municipal non-smoking bylaws due to the significant negative impact these bylaws can have on direct gaming revenues. In addition, the Corporation continues to closely watch the gaming resolutions being passed in the US with states that border our Canadian casinos and slot operations. As previously referenced, the US competition negatively impacts our border-site revenues.

Expenses

Non-gaming expenses include the costs of promotional allowances and other ancillary services, such as food and bar, hotel, entertainment centre, coat check and valet parking provided to patrons of the casino and slots-at-racetrack facilities. This year, these expenses were $179.0 million, compared to $160.0 million in the previous year, primarily due to the opening of the hotel and a full year of the entertainment centre at Casino Rama.

Gaming and lottery operations expenses were $617.1 million for the year ended March 31, 2003, $43.9 million higher than in the previous year. Increases were largely due to the implementation of 24-hour operations at some racetrack sites, as well as increased costs associated with leased games. Leased games provide more variety to our patrons and more flexibility in responding to game popularity. As such, this is an important factor in an overall business-development strategy based on customer satisfaction.

Lottery prizes vary with the mix of product revenues and the jackpot levels achieved. This year, lottery prize costs of $1.1 billion were $84.5 million higher than last year, a direct result of increased sales combined with the impact of guaranteed funding requirements for the LOTTO SUPER 7 jackpot bonus draws.

Total commissions paid to lottery retailers, bingo-hall operators, municipalities, racetrack owners and horse people were $526.3 million or $54.6 million above prior year, a direct result of increased revenues for lotteries, slots at racetracks and charity casinos.

Marketing and promotional costs were $247.2 million compared to $223.5 million in the previous year. The increase was driven by the direct gaming lines of business as new initiatives were introduced to address the impacts of competition combined with an increased focus in this area for slots at racetracks and charity casinos.

Operators' fees are paid to the operators of commercial casinos and the Great Blue Heron Charity Casino slot-machine facility, as required by each of their respective operating agreements. The amounts paid are based on the revenues and operating results of individual facilities. The decrease in operators' fees of $6.7 million in 2003 reflects the decline in revenue and net operating margins at Casino Windsor.

Amortization expense of $169.8 million for the fiscal year ended March 31, 2003 was consistent with prior year.

General and administration expenses for the year were $377.4 million, an increase of $65.1 million from the previous year. In addition to facility costs and general and administration costs associated with each property, this expense also includes the cost of centralized support services provided by Finance and Administration, Legal, Human Resources, Information Technology, Corporate Communications and Internal Audit departments. The increase was the result of increases in a variety of cost components. Corporate shared service costs increased due to a full-year impact of staffing costs, as growth in the infrastructure to support the gaming operations continued, as well as, the addition of new corporate programs to support gaming operations. Facility costs increased because of the higher maintenance requirements for the aging facilities, combined with increasing utility rates and higher municipal assessments.

Win contribution represents 20% of the gaming revenue from the commercial casinos and the slot operations at the Great Blue Heron Charity Casino and is paid to the Province of Ontario. The win contribution for the year was $359.6 million, a decrease of $1.1 million as compared to last year. The decline resulted from decreased gaming revenues at Casino Windsor, which was partially offset by the increases realized at Casino Niagara, Casino Rama and the slot operations at the Great Blue Heron Charity Casino.

Payments to the Government of Canada include Goods and Services Tax (GST) as well as payments made on behalf of the Province of Ontario under an agreement between the provincial governments and the Government of Canada whereby the federal government will not participate in the sale of lottery tickets. The decrease of $5.9 million was primarily the result of the finalization of the GST audit at Casino Niagara and Casino Rama with the resulting application of these favourable rulings to the other OLGC properties.

Interest and Other Income

Interest and other income, net of interest expense, was $16.0 million for the year ended March 31, 2003, a decline of $12.9 million from prior year. Interest expense was higher than prior year as the entertainment centre and hotel at Casino Rama were operational during the year and accordingly the interest expense was no longer capitalized. Interest income on loans receivable was lower than prior year as development loans provided to racetracks and various municipalities were repaid to the Corporation during the year.

Foreign exchange gains

Foreign exchange gains were $26.9 million for the year, a decrease of $6.0 million, due primarily to the decreased number of US patrons to the border properties.

Liquidity and Capital Resources

Cash generated from operations for the fiscal year ended March 31, 2003 was $2.2 billion, $16.3 million higher than the previous year, primarily as a result of higher revenues. Funds were used for the repayment of long-term liabilities, which were incurred in prior years for the construction of the entertainment centre and hotel at Casino Rama.

The amount expended on investing activities was $224.1 million, as compared to $255.6 million in the previous year. During the year, the investments included construction costs for the Casino Niagara permanent complex, the construction of the Thousand Islands Charity Casino, renovation costs at some slots-at-racetrack facilities and charity casinos and

construction costs at Casino Rama. The Corporation will be required to purchase the completed Casino Niagara permanent complex from Falls Management Company in the spring of 2004 for a total not exceeding $794 million which when combined with the $203 million that the Corporation is funding, brings the total cost to $997 million.

Payments to the Province of Ontario were $1.9 billion, $43.9 million higher than the previous year. These payments represent net income adjusted for working capital requirements and capital expenditures.

Fees Paid to External Auditors

For the fiscal year ended March 31, 2003, the Corporation retained its independent auditors, Grant Thornton LLP, KPMG LLP and Ernst and Young LLP to provide services in the categories and amounts shown below.

	Grant Thornton	KPMG	Ernst & Young	Fiscal 2003 Total	Fiscal 2002 Total
Audit & assurance services	$ 247,000	$ 645,000	$ 99,000	$ 991,000	$ 892,000
Tax services	–	114,000	–	114,000	71,000
Consulting services	–	238,000	–	238,000	181,000
Accounting & manpower services	28,000	127,000	–	155,000	218,000
Total of all services	$ 275,000	$ 1,124,000	$ 99,000	$ 1,498,000	$ 1,362,000

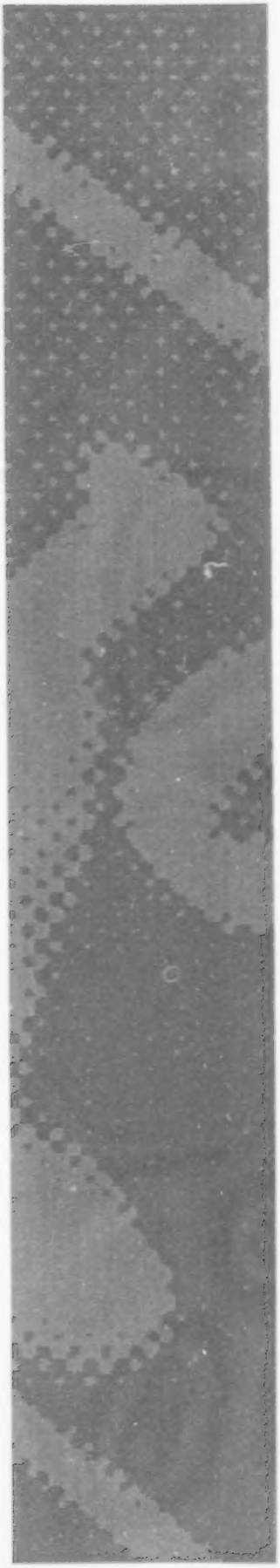
Salary Disclosure

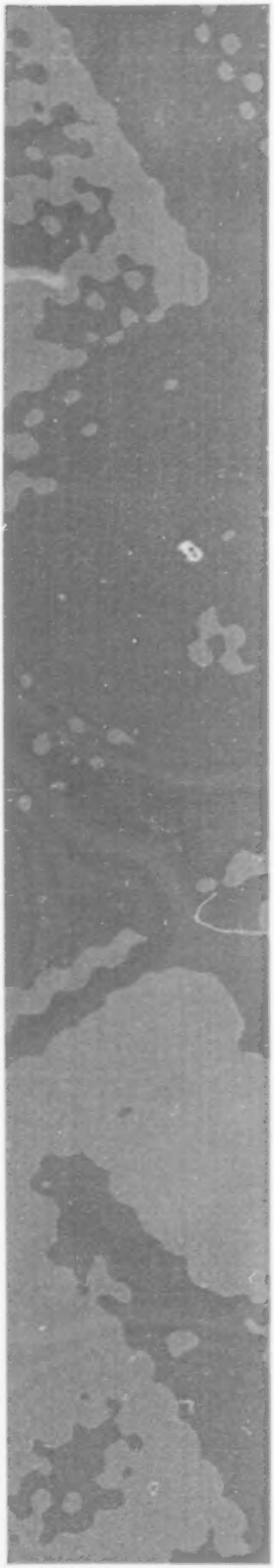
The *Ontario Public Sector Salary Disclosure Act (1996)* requires that OLGC make available, on an annual basis, information on the salary and taxable benefits of those individuals in the Corporation whose salary is more than $100,000 in a calendar year.

The salary portion of an individual's compensation includes base salary, overtime payments, vacation/lieu time payouts, incentive and/or lump-sum merit payments, and one-time relocation expenses and/or resettlement payments.

You will find listed below the name, title, salary and taxable benefits of those within the OLGC whose salary was over $100,000 for the year 2002.

Name	Title	Salary	Benefits
Aronson, Donald	Director, Corporate Events & Community Relations	$108,791.25	$202.16
Aube, Michel	Senior Manager, Corporate Security	$101,210.42	$188.28
Rabalis, Christos	General Manager	$101,623.85	$184.62
Bailey, Rod	General Manager	$135,416.92	$237.71
Barbaro, Ron D	Chief Executive Officer	$360,213.59	$7,377.25
Barnett, Kenneth	Director, New Business & Development	$118,481.69	$2,032.82
Bell-Murray, Lisa	Director, Corporate Accounting & Reporting	$147,049.51	$256.99
Berdowski, Alan	Senior VP, Lottery Division	$201,370.65	$8,041.23
Bortolussi, Roy	Director, Jackpot & Value Brands	$131,693.24	$238.17
Brown, Gregory	Director, e-Business	$115,628.58	$225.41
Burton, Timothy	Director, Taxation	$128,435.85	$243.23
Cameron, Chris	Director, Challenge & Winning Feeling	$112,265.80	$204.66
Campbell, Alexander	Director, Customer Service	$129,092.37	$222.86
Carvalho, Antonio	VP, Corporate Planning & e-Business	$172,836.04	$2,955.97
Calderone, Bart	Director, Strategic Projects	$144,290.93	$257.07
Chorongey, Karen	Director, Human Resources Strategic Alliances	$104,809.55	$194.19
Cooper, Jeff	Director, Customer & Channel Management	$135,833.38	$1,515.92
Cowie, Geoffrey	Senior Legal Counsel	$106,942.10	$187.92
Craig, Ron	Director, Development & Implementation	$130,068.82	$242.85
Crawford, Mona	Director, Sales & Service Initiatives	$121,247.03	$213.00
Cronin, James	Senior Manager, Public Relations	$134,615.50	$248.91
Dalton, Gail	Senior VP, Finance & Administration	$201,370.65	$9,700.73
Deans, Wayne	Director, Internal Audit	$126,678.29	$231.69
Di mauro, Mary	General Manager	$109,943.15	$191.83
Ferrara, Francesco	Senior Legal Counsel	$123,479.90	$195.05
Fioravanti, Walter	VP, Human Resources	$181,613.56	$14,812.29
Flynn, Larry	Senior VP, Marketing & Customer Development	$188,686.99	$7,022.27
Frair, Robert	Project Director, Enterprise Resource Management	$128,176.57	$229.18
Cagesch, Karl	VP, Finance	$146,300.72	$14,323.02
Gibbons, Brenda	Director, Procurement & Administration	$130,629.47	$240.99
Clenat, Suellen	Director, Employee Relations & Communications	$114,178.19	$7,627.30
Gray, Richard	Director, Financial Planning & Budgeting	$109,655.01	$185.42
Henderson, Mark	Director, Regional Operations	$122,047.06	$285.06
Hill, Douglas	Relationship Manager	$119,297.39	$217.53
Ko, Ronald	Director, Bingo Gaming	$108,390.60	$195.52
Kozniuk, Bob	VP, Charity & Aboriginal Casinos	$212,286.92	$13,253.25
Kundyla, David	VP, Solutions Delivery	$103,269.22	$5,205.24
Kyle, Brian	Director, New Business Development	$115,297.16	$206.68
Lapointe, Catherine	Director, Operations & Maintainance	$110,340.69	$208.86
Locke, Robert	Director, Facilities Maintenance	$126,452.26	$1,985.64
Longman, Robert	Key Account Manager	$104,165.05	$2,043.57
Macdonald, Sharon	Director, Planning & Controls	$140,737.63	$269.10
Maddocks, David	Director, Development	$136,208.43	$2,291.21
Magee, Mark	General Manager	$110,306.83	$208.59
Marinelli, Thomas	Chief Technology Officer	$183,499.76	$283.49
Markkula, Leo	Director, Treasury	$124,760.36	$229.18
McPhee, Terry	General Manager	$117,785.22	$200.79
Micucci, Paul	VP, Racetrack Development & Operations	$201,344.16	$2,316.95
Mitchell, Bill	Director, Solutions Delivery, Racetrack & Charity Casinos	$149,718.53	$91.83
Myers, David	VP, Sales & Service	$161,042.40	$2,944.07
Nieder, Michael	VP, Information Technology	$201,697.65	$8,439.14
Palmer, Brian	Director, Process & Implementation	$113,709.20	$211.80
Perugini, Tony	Manager, Financial Planning Commercial Casinos	$105,237.28	$196.83
Peters, Ingrid	VP, Legal & Compliance	$197,679.66	$8,475.45
Pigomet, John	Director, Human Resources Programs & Infrastructure	$119,144.06	$212.28
Rennie, Karen	General Manager	$111,465.81	$172.35
Rozeluk, Jerry	Director, Regional Operations	$121,811.54	$3,169.23
Seldon Dimock, Verity	Director, Performance & Learning	$113,042.05	$211.65
Sepkowski, Matt	Director, Marketing & Customer Development	$110,150.27	$195.60
Smith, Geoff	General Manager	$136,811.10	$223.42
Streich, Robert	Manager, Lotteries Finance	$102,710.88	$173.97
Thorburn, David	General Manager	$103,618.89	$164.67
Tomie, Adriana	Director, Shared Services	$136,840.75	$256.15
Ulzen, Cameron	General Manager	$137,256.77	$226.97
Walker, Stuart	General Manager	$127,247.44	$208.80
Whitmell, Dereck	Director, Solutions Delivery	$115,078.13	$208.99
Wood, Brian	Chief Operating Officer	$283,786.49	$2,826.55
Wisternoff, John	VP, Lottery Marketing	$160,955.35	$7,497.32
Yammine, Georges	Director of Operations	$130,405.38	$6,367.94
Zelinsky, Jackie	Casino Manager	$110,082.03	$206.70





Board of Directors

Ron D. Barbaro
Chair and Chief Executive Officer
June 24, 2001 – June 23, 2004

Cheryl Byrne
February 1, 2001 – January 31, 2004

Joanne DeLaurentiis
January 14, 2001 – January 13, 2003

Gerald Hack
June 13, 2001 – June 12, 2004

Peter J. Labbett
December 20, 2000 – November 30, 2003

Hugh Nichol
May 3, 2000 – May 2, 2003

Louis Elio Panontin
January 20, 2003 – January 19, 2006

Nicholas Perpick
January 13, 2002 – January 12, 2005

Richard A. Raymond
February 1, 2001 – March 31, 2003

Bruce H. Reid
April 4, 2001 – April 3, 2003

Gary Reinblatt
January 13, 2002 – January 12, 2005

Ravi Shukla
January 23, 2002 – January 22, 2005